$1,000,000
CLAY ROANE PUBLIC SERVICE DISTRICT
WATER REVENUE BOND, SERIES 2004 A
(WEST VIRGINIA INFRASTRUCTURE FUND)

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DISTRIBUTION LIST

$360,000
CLAY ROANE PUBLIC SERVICE DISTRICT
WATER REVENUE BOND SERIES, 2004 B
(UNITED STATES DEPARTMENT OF AGRICULTURE)

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CLAY-ROANE PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS,
SERIES 2004 A (WEST VIRGINIA INFRASTRUCTURE FUND) AND
SERIES 2004 B (UNITED STATES DEPARTMENT OF AGRICULTURE)

Closing Date: November 12, 2004

TRANSCRIPT OF PROCEEDINGS

NO.	DESCRIPTION
	I. Organizational Documents
1.	Copies of Chapter 16, Article 13A and Chapter 31, Article 15A of the Code of West Virginia, 1931, as amended.
2	Orders of The County Commissions of Clay and Roane Counties Creating and Enlarging Clay-Roane Public Service District (the "Issuer").
3	Orders of The County Commissions of Clay and Roane Counties Appointing Members of the Public Service Board of the Issuer (the "Board").
4	Oaths of Office of the Board Members.
5	Rules of Procedure.
6	Minutes of Current Year Organizational Meeting.
	II. Authorizing Documents
7.	Public Service Commission Order.
8.	Infrastructure Council Approval Letter.
9.	Infrastructure Council Loan Agreement.
10.	USDA Letter of Conditions.

11. Bond Resolution.

12. Supplemental Resolution.

13. Minutes of Board Meeting regarding Adoption of Bond Resolution and Supplemental Resolution.

14. Affidavits of Publication regarding Notice of Borrowing and Notice to Residents of Meeting to Adopt Bond Resolution and Supplemental Resolution.

15. Specimen Series 2004 A Bond.

16. Specimen Series 2004 B Bond.

17. Bond Register.

18. 1990 Bond Resolution.

19. 1997 Bond Resolution.

20. 1982 Procious PSD Bond Resolution.

21. USDA Consent to Issuance of Parity Bonds.

III. Certificates, Receipts and Other Documents

22. General Certificate.

23. Certificate as to Use of Proceeds.

24. Certificate of Secretary as to Truth and Accuracy of Documents Delivered.

25. Certificate of Consulting Engineer.

26. Certificate of Accountant.

27. Cross Receipt for Bonds and Bond Proceeds.

28. Request and Authorization to Authenticate and Deliver Series 2004 A Bonds.

29. Registrar's Agreement.

30. Certificate of Registration of Series 2004 A Bonds.

31. Acceptance of Appointment As Depository Bank.

32. Municipal Bond Commission New Issue Report Forms.

33. Environmental Health Services Permit.

34. Evidence of Insurance.

35. Infrastructure Council Grant Agreement.

36. USDA Grant Agreement.

37. Appalachian Regional Commission Grant Letter.

38. Water Purchase Contract with Town of Clay.

39. Closing Memorandum.

IV. Opinions

40. Opinion of Goodwin & Goodwin, LLP, Bond Counsel, on Series 2004 A Bonds.

41. Opinion of Goodwin & Goodwin, LLP, Bond Counsel, on Series 2004 B Bonds.

42. Opinion of Counsel to Issuer.

43. Final Title Opinion.

The Pre-Closing of the sale of $360,000 Clay-Roane Public Service District, Water Revenue Bond, Series 2004 B (United States Department of Agriculture), will take place in the Courtroom of the Clay County Courthouse, Clay, West Virginia, at 10:00 a.m., Eastern Time, on the 9th day of November, 2004. The Closing of the sale of $1,000,000 Clay-Roane Public Service District, Water Revenue Bond, Series 2004 A (West Virginia Infrastructure Fund), will take place West Virginia Water Development Authority's office in Charleston, West Virginia, at 10:00 a.m., Eastern Time, on the 12th day of November, 2004. The Closing of the Series 2004 B Bonds will occur on the 12th day of November, 2004. No transaction shall be deemed to have been completed and no documents shall be deemed to have been delivered unless and until all transactions are complete and all documents are delivered. Any document, which references an Exhibit or Schedule, to be attached thereto shall be considered completed and attached if the referenced Exhibit or Schedule appears elsewhere in this Transcript.

ARTICLE 13A

PUBLIC SERVICE DISTRICTS FOR WATER, SEWERAGE AND GAS SERVICES

Section

16–13A–1. Legislative findings.
16–13A–1a. Jurisdiction of the public service commission.
16–13A–1b. County commissions to develop plan to create, consolidate, merge, expand or dissolve public service districts.
16–13A–1c. General purpose of districts.
16–13A–2. Creation of districts by county commission; enlarging, reducing, merging, or dissolving district; consolidation; agreements, etc.; infringing upon powers of county commission; filing list of members and districts with the secretary of state.
16–13A–3. District to be a public corporation and political subdivision; powers thereof; public service boards.
16–13A–3a. Removal of members of public service board.
16–13A–4. Board chairman; members' compensation; procedure; district name.
16–13A–5. General manager of board.
16–13A–6. Employees of board.
16–13A–7. Acquisition and operation of district properties.
16–13A–8. Acquisition and purchase of public service properties; right of eminent domain; extraterritorial powers.
16–13A–9. Rules; service rates and charges; discontinuance of service; required water and sewer connections; lien for delinquent fees.
16–13A–9a. Limitations with respect to foreclosure.
16–13A–10. Budget.
16–13A–11. Accounts; audit.
16–13A–12. Disbursement of district funds.
16–13A–13. Revenue bonds.
16–13A–14. Items included in cost of properties.
16–13A–15. Bonds may be secured by trust indenture.
16–13A–16. Sinking fund for revenue bonds.
16–13A–17. Collection, etc., of revenues and enforcement of covenants; default; suit, etc., by bondholder or trustee to compel performance of duties; appointment and powers of receiver.
16–13A–18. Operating contracts.
16–13A–18a. Sale, lease or rental of water, sewer, stormwater or gas system by district; distribution of proceeds.
16–13A–19. Statutory mortgage lien created; foreclosure thereof.
16–13A–20. Refunding revenue bonds.
16–13A–21. Complete authority of article; liberal construction; district to be public instrumentality; tax exemption.
16–13A–22. Validation of prior acts and proceedings of county courts for creation of districts, inclusion of additional territory, and appointment of members of district boards.
16–13A–23. Validation of acts and proceedings of public service boards.
16–13A–24. Acceptance of loans, grants or temporary advances.
16–13A–25. Borrowing and bond issuance; procedure.

Administrative Code References

Sewer utilities regulations, see W. Va. Code St. R. § 150–5–1 et seq.

§ 16–13A–1. Legislative findings

The Legislature of the state of West Virginia hereby determines and finds that the present system of public service districts within the state has provided a valuable service at a reasonable cost to persons who would otherwise have been unable to obtain public utility services. To further this effort, and to ensure that all areas of the state are benefiting from the availability of public service district utility services and to further correct areas with health hazards, the Legislature concludes that it is in the best interest of the public to implement better management of public service district resources by expanding the ability and the authority of the public service commission to assist public service districts by offering advice and assistance in operational, financial and regulatory affairs.

In addition to the expanded powers which shall be given to the public service commission, the Legislature also concludes that it is in the best interest of the public for each county commission to review current technology available and consider consolidating existing public service districts where it is feasible and will not result in the interference with existing bond instruments. Further, if such consolidation is not feasible, the Legislature finds that it is in the best interest of the public for each county commission to review current technology available and consider consolidating or centralizing the management of public service districts within its county or multi-county area to achieve efficiency of operations. The Legislature also finds that additional guidelines should be imposed on the creation of new public service districts and that county commissions shall dissolve inactive public service districts as hereinafter provided. The Legislature also finds that the public service commission shall promulgate rules and regulations to effectuate the expanded powers given to the commission relating to public service districts.

Acts 1953, c. 147; Acts 1980, c. 60; Acts 1986, c. 81.

Cross References

County courts, authority to make grants for water and sewer systems, see § 7–1–3t.

Library References

Key Numbers
Counties ⟹18.
Municipal Corporations ⟹5 to 6.
Public Utilities ⟹145.
Westlaw Key Number Searches: 104k18; 268k5 to 268k6; 317Ak145.

Encyclopedias
C.J.S. Counties §§ 31 to 33.
C.J.S. Municipal Corporations § 12.
C.J.S. Public Utilities §§ 18, 65 to 67.

Notes of Decisions

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Property of public service district 5
Rates and charges for service 6
Validity 1

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1. Validity

Title of act authorizing creation of public service districts in connection with acquisition, construction, maintenance, operation, improvement and extension of properties supplying wa-

ter and sewerage services, clearly defines object and purposes of act and powers of governing board, and is sufficient to meet constitutional requirements. Acts 1953, c. 147; Const. art. 6, § 30. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Statutes ⟹ 123(3)

Statute authorizing creation of public service districts violates no provision of State Constitution, nor is it violative of Fourteenth Amendment to United States Constitution. Act 1953, c. 147; U.S.C.A.Const. Amend. 14. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Constitutional Law ⟹ 278(2)

In statute authorizing creation of public service districts, provision for delinquent fixed rates and charges for services rendered to be lien on premises served was not unconstitutional as depriving owners of property without due process of law or as violating Fourteenth Amendment of United States Constitution or applicable provisions of State Constitution. Acts 1953, c. 147, § 1 et seq.; Const. art. 3, §§ 9, 10; U.S.C.A.Const. Amend. 14. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Constitutional Law ⟹ 300(1)

Statute authorizing creation of public service districts does not, in so far as it requires County Court to define territory to be included in public service district and appoint a board to govern same in first instance, involve unconstitutional delegation of judicial functions to the County Court, Acts 1953, c. 147; Const. art. 8, § 24. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Constitutional Law ⟹ 56

2. In general

A public service district may be created for the purpose of furnishing water or sewer services, or both water and sewer services. Code, 16–13A–1. Canyon Public Service Dist. v. Tasa Coal Co., 1973, 195 S.E.2d 647, 156 W.Va. 606. Municipal Corporations ⟹ 5

Creation and operation of water or sanitary districts or authorities by issuance of revenue bonds payable from revenues are authorized. Code, 16–13A–1 et seq. State ex rel. Appalachian Power Co. v. Gainer, 1965, 143 S.E.2d 351, 149 W.Va. 740. Health And Environment ⟹ 4

3. Construction and application

A public service district is a public corporation and does not come within constitutional provision which in substance provides that all corporations shall be created by general laws and which is applicable to private corporations. Acts 1953, c. 147, § 1 et seq.; Const. art. 11, § 1. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Statutes ⟹ 80(3)

4. Eminent domain powers

Where notice, hearing and order with respect to creation of public service district considered only the question of furnishing water, such district was created only for the purposes of furnishing water services, and had no power to condemn real estate for sewerage facilities. Code, 16-13A–1, 16–13A–2. Canyon Public Service Dist. v. Tasa Coal Co., 1973, 195 S.E.2d 647, 156 W.Va. 606. Eminent Domain ⟹ 32

Condemnation by public service district is not a taking of private property for private use in violation of applicable constitutional provision. Const. art. 3, § 9. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Eminent Domain ⟹ 13

5. Property of public service district

Property of public service district is public property used for public purposes, and, under constitutional provision that public property shall be exempt from taxation, statute authorizing creation of public service districts and granting tax exemption was not violative of constitutional provision requiring that taxation be equal and uniform throughout state. Acts 1953, c. 147, § 1 et seq.; Const. art. 10, § 1. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Taxation ⟹ 194

6. Rates and charges for service

Relief under Federal Securities Act of 1933 was not adequate or sufficient remedy for relief sought by corporations holding sewer revenue bonds of public service district in mandamus proceeding to compel district to establish and collect rates for services rendered by district sufficient to provide for all operational and maintenance expenses, to pay, when due, principal and interest of revenue bonds issued by district, and to file tariff reflecting such charges with Public Service Commission, and any relief afforded under provisions of federal statute could not supersede relief which could be granted in mandamus proceeding. Securities Act of 1933, § 1 et seq., 15 U.S.C.A. § 77a et seq.; Code, 16–13A–1 et seq. State ex rel. Allstate Ins. Co. v. Union Public Service Dist., 1966, 151 S.E.2d 102, 151 W.Va. 207. Mandamus ⟹ 3(8)

Corporations holding sewer revenue bonds of public service district, a public corporation and political subdivision of state, had right by mandamus to enforce and compel district and members of the Public Service Board to establish, charge and collect rates for services rendered by district sufficient to provide for all operational and maintenance expenses, to pay, when due, principal and interest of revenue bonds issued by district, and to file tariffs reflecting such charges with Public Service Commission. Code, 16–13A–1 et seq., 16–13A–9, 16–13A–10, 16–13A–13, 16–13A–17. State ex rel. Allstate Ins. Co. v. Union Public Service Dist., 1966, 151 S.E.2d 102, 151 W.Va. 207. Mandamus ⟹ 110

It was ministerial duty of chairman of public service board of public service district to sign revenue bonds and to assist in effectuating their issuance, and in view of constitutionality of statute authorizing creation of the public service board, relator's showing of legal right to require performance of such duty, was sufficient and writ of mandamus would issue. Acts 1953, c. 147. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Mandamus ⟹ 103

7. Creation and enforcement of liens

Public service district's failure to docket notice of lien prior to date purchaser recorded deed of trust prevented district from enforcing sewer lien against purchaser. Code, 16–13A–9, 38–10C–1. McClung Investments, Inc. v. Green Valley Community Public Service Dist., 1997, 485 S.E.2d 434, 199 W.Va. 490. Municipal Corporations ⟹ 712(7)

Public service district liens must be docketed to be enforceable against purchaser of property for valuable consideration, without notice. Code, 16–13A–9, 38–10C–1. McClung Investments, Inc. v. Green Valley Community Public Service Dist., 1997, 485 S.E.2d 434, 199 W.Va. 490. Gas ⟹ 14.6

Statute authorizing creation of public service districts confers upon public service board authority to create mortgage lien on the property of public service district, and action of legislature conferring such authority was within the legislature's power. Acts 1953, c. 147; Const. art. 10, § 8. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Municipal Corporations ⟹ 222

8. Admissibility of evidence

Extrinsic evidence relating to background and negotiations with regard to forming a public service district were not admissible in regard to construction of a contract for furnishing of water, where contract language was clear and unambiguous that district was to furnish water as customer should require. Berkeley County Public Service Dist. v. Vitro Corp. of America, 1968, 162 S.E.2d 189, 152 W.Va. 252. Evidence ⟹ 448

9. Costs

Costs of proceeding whereby constitutionality of statute authorizing creation of public service districts was tested would not be taxed against defendant who was chairman of public service board and who, honestly and in good faith, though mistakenly, endeavored to perform his duty in refusing to sign revenue bonds, and each litigant would pay his own costs. Acts 1953, c. 147. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Mandamus ⟹ 190

§ 16–13A–1a. Jurisdiction of the public service commission

The jurisdiction of the public service commission relating to public service districts shall be expanded to include the following powers, and such powers shall be in addition to all other powers of the public service commission set forth in this code:

(a) To study, modify, approve, deny or amend the plans created under section one-b of this article for consolidation or merger of public service districts and their facilities, personnel or administration;

(b) To petition the appropriate circuit court for the removal of a public service district board member or members; and

(c) To create by general order a separate division within the public service commission to provide assistance to public service districts in technological, operational, financial and regulatory matters.

Acts 1986, c. 81.

Library References

Key Numbers
Public Utilities ⟹145.
Westlaw Key Number Search: 317Ak145.

Encyclopedias
C.J.S. Public Utilities §§ 18, 65 to 67.

Notes of Decisions

In general 1

1. In general

Statute clearly and unambiguously gives Public Service Commission (PSC) power to reduce or increase utility rates whenever it finds that existing rate is unjust, unreasonable, insufficient, or unjustly discriminatory or otherwise in violation of any provision of legislation governing Commission. Code, 24–1–1 et seq., 24–2–3. State ex rel. Water Development Authority v. Northern Wayne County Public Service Dist., 1995, 464 S.E.2d 777, 195 W.Va. 135. Public Utilities ⟹ 123

Legislature sought to establish in Public Service Commission (PSC) governmental entity which would protect public from unfair rates and practices by public utilities and also ensure that public utilities are given competitive return for their stockholders. Code, 24–2–3. State ex rel. Water Development Authority v. Northern Wayne County Public Service Dist., 1995, 464 S.E.2d 777, 195 W.Va. 135. Public Utilities ⟹ 123

§ 16–13A–1b. County commissions to develop plan to create, consolidate, merge, expand or dissolve public service districts

Each county commission shall conduct a study of all public service districts which have their principal offices within its county and shall develop a plan relating to the creation, consolidation, merger, expansion or dissolution of such districts or the consolidation or merger of management and administrative services and personnel and shall present such plan to the public service commission for approval, disapproval, or modification: Provided, That within ninety days of the effective date of this section each county commission in this state shall elect either to perform its own study or request that the public service commission perform such study. Each county commission electing to perform its own study has one year from the date of election to present such plan to the public service commission. For each county wherein the county commission elects not to perform its own study, the public service commission shall conduct a study of such county. The public service commission shall establish a schedule for such studies upon a priority basis, with those counties perceived to have the greatest need of creation or consolidation of public service districts receiving the highest priority. In establishing the priority schedule, and in the performance of each study, the bureau of public health and the division of environmental protection shall offer their assistance and cooperation to the public service commission. Upon completion by the public service commission of each study, it shall be submitted to the appropriate county commission for review and comment. Each county commission has six months in which to review the study conducted by the public service commission, suggest changes or modifications thereof, and present such plan to the public service commission. All county plans, whether conducted by the county commission itself or submitted as a result of a public service commission study, shall, by order, be approved, disapproved or modified by the public service commission in accordance with rules promulgated by the public service commission and such order shall be implemented by the county commission.

Acts 1986, c. 81; Acts 1994, c. 61.

Cross References

Public Service Commission, participation in studies, see § 24–1–1b.

Library References

Key Numbers
Counties ⚷18, 47.
Westlaw Key Number Searches: 104k18; 104k47.

Encyclopedias
C.J.S. Counties §§ 31 to 33, 70 to 73.

§ 16–13A–1c. General purpose of districts

Any territory constituting the whole or any part of one or more counties in the state so situated that the construction or acquisition by purchase or otherwise and the maintenance, operation, improvement and extension of, properties supplying water, sewerage or stormwater services or gas distribution services or all of these within such territory, will be conducive to the preservation of the public health, comfort and convenience of such area, may be constituted a public service district under and in the manner provided by this article. The words "public service properties," when used in this article, shall mean and include any facility used or to be used for or in connection with: (1) The diversion, development, pumping, impounding, treatment, storage, distribution or furnishing of water to or for the public for industrial, public, private or other uses (herein sometimes referred to as "water facilities"); (2) the collection, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes (herein sometimes referred to as "sewer facilities" or "landfills"); (3) the distribution or the furnishing of natural gas to the public for industrial, public, private or other uses (herein sometimes referred to as "gas utilities or gas system"); or (4) the collection, control or disposal of stormwater (herein sometimes referred to as "stormwater system" or "stormwater systems"), or (5) the management, operation, maintenance and control of stormwater and stormwater systems (herein sometimes referred to as "stormwater management program" or "stormwater management programs"). As used in this article "stormwater system" or "stormwater systems" means a stormwater system in its entirety or any integral part thereof used to collect, control or dispose of stormwater, and includes all facilities, structures and natural water courses used for collecting and conducting stormwater to, through and from drainage areas to the points of final outlet including, but not limited to, any and all of the following: Inlets, conduits, outlets, channels, ponds, drainage easements, water quality facilities, catch basins, ditches, streams, gulches, flumes, culverts, siphons, retention or detention basins, dams, floodwalls, pipes, flood control systems, levies and pumping stations: Provided, That the term "stormwater system" or "stormwater systems" does not include highways, road and drainage easements, or stormwater facilities constructed, owned or operated by the West Virginia division of highways. As used in this article "stormwater management program" or "stormwater management programs" means those activities associated with the management, operation, maintenance and control of stormwater and stormwater systems, and includes, but is not limited to, public education, stormwater and surface runoff water quality improvement, mapping, planning, flood control, inspection, enforcement and any other activities required by state and federal law: Provided, however, That the term "stormwater management program" or "stormwater management programs" does not include those activities associated with the management, operation,

maintenance and control of highways, road and drainage easements, or stormwater facilities constructed, owned or operated by the West Virginia division of highways without the express agreement of the commissioner of highways.

Acts 1986, c. 81; Acts 2002, c. 272, eff. 90 days after March 9, 2002.

Library References

Key Numbers

Counties ⟹18.
Gas ⟹12.
Municipal Corporations ⟹5 to 6, 270 to 271, 711, 715.
Waters and Water Courses ⟹183.5.
Westlaw Key Number Searches: 104k18; 190k12; 268k5 to 268k6; 268k270 to 268k271; 268k711; 268k715; 405k183.5.

Encyclopedias

C.J.S. Counties §§ 31 to 33.
C.J.S. Gas §§ 43 to 45.
C.J.S. Municipal Corporations §§ 12, 1540.
C.J.S. Waters § 243.

§ 16–13A–2. Creation of districts by county commission; enlarging, reducing, merging, or dissolving district; consolidation; agreements, etc.; infringing upon powers of county commission; filing list of members and districts with the secretary of state

(a) The county commission of any county may propose the creation, enlargement, reduction, merger, dissolution, or consolidation of a public service district by any of the following methods: (1) On its own motion by order duly adopted, (2) upon the recommendation of the public service commission, or (3) by petition of twenty-five percent of the registered voters who reside within the limits of the proposed public service district within one or more counties. The petition shall contain a description, including metes and bounds, sufficient to identify the territory to be embraced therein and the name of such proposed district: Provided, That after the effective date of this section, no new public service district shall be created, enlarged, reduced, merged, dissolved or consolidated under this section without the written consent and approval of the public service commission, which approval and consent shall be in accordance with rules promulgated by the public service commission and may only be requested after consent is given by the appropriate county commission or commissions pursuant to this section. Any territory may be included regardless of whether or not the territory includes one or more cities, incorporated towns or other municipal corporations which own and operate any public service properties and regardless of whether or not it includes one or more cities, incorporated towns or other municipal corporations being served by privately owned public service properties: Provided, however, That the same territory shall not be included within the boundaries of more than one public service district except where the territory or part thereof is included within the boundaries of a separate public service district organized to supply water, sewerage services, stormwater services or gas facilities not being furnished within such territory or part thereof: Provided further, That no city, incorporated town or other municipal corporation shall be included within the boundaries of the proposed district except upon the adoption of a resolution of the governing body of the city, incorporated town or other municipal corporation consenting.

(b) The petition shall be filed in the office of the clerk of the county commission of the county in which the territory to constitute the proposed district is situated, and if the territory is situated in more than one county, then the petition shall be filed in the office of the clerk of the county commission of the county in which the major portion of the territory extends, and a copy thereof (omitting signatures) shall be filed with each of the clerks of the county commission of the other county or counties into which the territory extends. The clerk of the county commission receiving such petition shall present it to the county commission of the county at the first regular meeting after the filing or at a special meeting called for the consideration thereof.

(c) When the county commission of any county enters an order on its own motion proposing the creation, enlargement, reduction, merger, dissolution or consolidation of a public service district, as aforesaid, or when a petition for the creation is presented, as aforesaid, the county commission shall at the same session fix a date of hearing in the county on the creation, enlargement, reduction, merger, dissolution or consolidation of the proposed public service district, which date so fixed shall be not more than forty days nor less than twenty days from the date of the action. If the territory proposed to be included is situated in more than one county, the county commission, when fixing a date of hearing, shall provide for notifying the county commission and clerk thereof of each of the other counties into which the territory extends of the date so fixed. The clerk of the county commission of each county in which any territory in the proposed public service district is located shall cause notice of the hearing and the time and place thereof, and setting forth a description of all of the territory proposed to be included therein to be given by publication as a Class I legal advertisement in compliance with the provisions of article three, chapter fifty-nine of this code, and the publication area for the publication shall be by publication in each city, incorporated town or municipal corporation if available in each county in which any territory in the proposed public service district is located. The publication shall be at least ten days prior to the hearing.

(d) In all cases where proceedings for the creation, enlargement, reduction, merger, dissolution or consolidation of the public service districts are initiated by petition as aforesaid, the person filing the petition shall advance or satisfactorily indemnify the payment of the cost and expenses of publishing the hearing notice, and otherwise the costs and expenses of the notice shall be paid in the first instance by the county commission out of contingent funds or any other funds available or made available for that purpose. In addition to the notice required herein to be published, there shall also be posted in at least five conspicuous places in the proposed public service district, a notice containing the same information as is contained in the published notice. The posted notices shall be posted not less than ten days before the hearing.

(e) All persons residing in or owning or having any interest in property in the proposed public service district shall have an opportunity to be heard for and against its creation, enlargement, reduction, merger, dissolution or consolidation. At the hearing the county commission before which the hearing is conducted shall consider and determine the feasibility of the creation, enlarge-

ment, reduction, merger, dissolution or consolidation of the proposed district. If the county commission determines that the construction or acquisition by purchase or otherwise and maintenance, operation, improvement and extension of public service properties by the public service district will be conducive to the preservation of public health, comfort and convenience of such area, the county commission shall by order create, enlarge, reduce, merge, dissolve or consolidate such public service district. If the county commission, after due consideration, determines that the proposed district will not be conducive to the preservation of public health, comfort or convenience of the area or that the creation, enlargement, reduction, merger, dissolution or consolidation of the proposed district as set forth and described in the petition or order is not feasible, it may refuse to enter an order creating the district or it may enter an order amending the description of the proposed district and create, enlarge, reduce, merge, dissolve or consolidate the district as amended.

(f) If the county commission determines that any other public service district or districts can adequately serve the area of the proposed public service district, whether by enlargement, reduction, merger, dissolution or consolidation, it shall refuse to enter the order, but shall enter an order creating, enlarging, reducing, merging, dissolving or consolidating the area with an existing public service district, in accordance with rules adopted by the public service commission for such purpose: Provided, That no enlargement of a public service district may occur if the present or proposed physical facilities of the public service district are determined by the appropriate county commission or the public service commission to be inadequate to provide such enlarged service. The clerk of the county commission of each county into which any part of such district extends shall retain in his office an authentic copy of the order creating, enlarging, reducing, merging, dissolving or consolidating the district: Provided, however, That within ten days after the entry of an order creating, enlarging, reducing, merging, dissolving or consolidating a district, such order must be filed for review and approval by the public service commission. The public service commission shall provide a hearing in the affected county on the matter and may approve, reject or modify the order of the county commission if it finds it is in the best interests of the public to do so. The public service commission shall adopt rules relating to such filings and the approval, disapproval or modification of county commission orders for creating, enlarging, merging, dissolving or consolidating districts. The provisions of this section shall not apply to the implementation by a county commission of an order issued by the public service commission pursuant to this section and section one-b, of this article.

(g) The county commission may, if in its discretion it deems it necessary, feasible and proper, enlarge the district to include additional areas, reduce the area of the district, where facilities, equipment, service or materials have not been extended, or dissolve the district if inactive or create or consolidate two or more such districts. If consolidation of districts is not feasible, the county commission may consolidate and centralize management and administration of districts within its county or multi-county area to achieve efficiency of opera-

tions: Provided, That where the county commission determines on its own motion by order entered of record, or there is a petition to enlarge the district, merge and consolidate districts, or the management and administration thereof, reduce the area of the district or dissolve the district if inactive, all of the applicable provisions of this article providing for hearing, notice of hearing and approval by the public service commission shall apply. The commission shall at all times attempt to bring about the enlargement or merger of existing public service districts in order to provide increased services and to eliminate the need for creation of new public service districts in those areas which are not currently serviced by a public service district: Provided, however, That where two or more public service districts are consolidated pursuant to this section, any rate differentials may continue for the period of bonded indebtedness incurred prior to consolidation. The districts may not enter into any agreement, contract or covenant that infringes upon, impairs, abridges or usurps the duties, rights or powers of the county commission, as set forth in this article, or conflicts with any provision of this article.

(h) A list of all districts and their current board members shall be filed by the county commission with the secretary of state and the public service commission by the first day of July of each year.

Acts 1953, c. 147; Acts 1965, c. 134; Acts 1967, c. 105; Acts 1975, c. 140; Acts 1980, c. 60; Acts 1981, c. 124; Acts 1986, c. 81; Acts 1995, c. 125, eff. 90 days after March 11, 1995; Acts 2002, c. 272, eff. 90 days after March 9, 2002.

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C.J.S. Municipal Corporations § 12.

Notes of Decisions

Costs 6
Creation of public service districts 2
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Notice of hearing 4
Number of voters within district 5
Validity 1

1. Validity

Title of act authorizing creation of public service districts in connection with acquisition, construction, maintenance, operation, improvement and extension of properties supplying water and sewerage services, clearly defines object and purposes of act and powers of governing board, and is sufficient to meet constitutional requirements. Acts 1953, c. 147; Const. art. 6, § 30. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Statutes ⟹ 123(3)

Statute authorizing creation of public service districts does not, in so far as it requires County Court to define territory to be included in public service district and appoint a board to govern same in first instance, involve unconstitutional delegation of judicial functions to the County Court, Acts 1953, c. 147; Const. art. 8, § 24. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Constitutional Law ⟹ 56

2. Creation of public service districts

Where notice, hearing and order with respect to creation of public service district considered only the question of furnishing water, such district was created only for the purposes of furnishing water services, and had no power to condemn real estate for sewerage facilities. Code, 16-13A-1, 16–13A–2. Canyon Public Service Dist. v. Tasa Coal Co., 1973, 195 S.E.2d 647, 156 W.Va. 606. Eminent Domain ⟹ 32

Where public service district was created for purpose of furnishing water services, county court had authority to add sewerage services to the facilities of the district under appropriate proceedings. Code, 16–13A–2. Canyon Public Service Dist. v. Tasa Coal Co., 1973, 195 S.E.2d

647, 156 W.Va. 606. Municipal Corporations ⟹ 270

Statute authorizing creation of public service districts confers upon public service board authority to create mortgage lien on the property of public service district, and action of legislature conferring such authority was within the legislature's power. Acts 1953, c. 147; Const. art. 10, § 8. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Municipal Corporations ⟹ 222

3. District boundaries

Public service district statute that allowed county commission to designate district's boundaries did not also empower commission to make service territories exclusive, displacing Public Service Commission's (PSC) authority to determine service rights. Code, 16–13A–2. Berkeley County Public Service Sewer Dist. v. West Virginia Public Service Com'n, 1998, 512 S.E.2d 201, 204 W.Va. 279. Counties ⟹ 47

4. Notice of hearing

Provisions of statute, with respect to creation of public service districts, which relate to the filing of the petition or motion of the county court, the description of the territory to be embraced, and like provisions are mandatory; but, despite use of the word "shall," the requirements for posting and publication of notice and the time of setting the hearing are directory and require only substantial compliance. Code, 16–13A–2. Canyon Public Service Dist. v. Tasa Coal Co., 1973, 195 S.E.2d 647, 156 W.Va. 606. Municipal Corporations ⟹ 12(3)

Though record with respect to creation of public service district was silent with respect to posting of notice of hearing and as to whether hearing was not more than 40 nor less than 20 days after his fixing the date for hearing as provided by statute, there was substantial compliance with statute where hearing was set some time prior to the date of the hearing, there was publication of notice more than ten days prior to the date of the hearing as required, and there were no objections either before, during or after the hearing to the creation of the district or to the procedures employed in its creation. Code, 16–13A–2. Canyon Public Service Dist. v. Tasa Coal Co., 1973, 195 S.E.2d 647, 156 W.Va. 606. Municipal Corporations ⟹ 12(6)

5. Number of voters within district

Public service district was not void because there were not 100 legal voters owning property within the district. Code, 16–13A–2. Canyon Public Service Dist. v. Tasa Coal Co., 1973, 195 S.E.2d 647, 156 W.Va. 606. Municipal Corporations ⟹ 6

6. Costs

Costs of proceeding whereby constitutionality of statute authorizing creation of public service districts was tested would not be taxed against defendant who was chairman of public service board and who, honestly and in good faith, though mistakenly, endeavored to perform his duty in refusing to sign revenue bonds, and each litigant would pay his own costs. Acts 1953, c. 147. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Mandamus ⟹ 190

§ 16–13A–3. District to be a public corporation and political subdivision; powers thereof; public service boards

From and after the date of the adoption of the order creating any public service district, it is a public corporation and political subdivision of the state, but without any power to levy or collect ad valorem taxes. Each district may acquire, own and hold property, both real and personal, in its corporate name, and may sue, may be sued, may adopt an official seal and may enter into contracts necessary or incidental to its purposes, including contracts with any city, incorporated town or other municipal corporation located within or without its boundaries for furnishing wholesale supply of water for the distribution system of the city, town or other municipal corporation, or for furnishing stormwater services for the city, town or other municipal corporation, and contract for the operation, maintenance, servicing, repair and extension of any properties owned by it or for the operation and improvement or extension by the district of all or any part of the existing municipally owned public service properties of any city, incorporated town or other municipal corporation included within the district: Provided, That no contract shall extend beyond a maximum of forty years, but provisions may be included therein for a renewal

or successive renewals thereof and shall conform to and comply with the rights of the holders of any outstanding bonds issued by the municipalities for the public service properties.

The powers of each public service district shall be vested in and exercised by a public service board consisting of not less than three members, who shall be persons residing within the district, who possess certain educational, business or work experience which will be conducive to operating a public service district. Each board member shall, within six months of taking office, successfully complete the training program to be established and administered by the public service commission in conjunction with the division of environmental protection and the bureau of public health. Board members shall not be or become pecuniarily interested, directly or indirectly, in the proceeds of any contract or service, or in furnishing any supplies or materials to the district nor shall a former board member be hired by the district in any capacity within a minimum of twelve months after board member's term has expired or such board member has resigned from the district board. The members shall be appointed in the following manner:

Each city, incorporated town or other municipal corporation having a population of more than three thousand but less than eighteen thousand is entitled to appoint one member of the board, and each city, incorporated town or other municipal corporation having a population in excess of eighteen thousand shall be entitled to appoint one additional member of the board for each additional eighteen thousand population. The members of the board representing such cities, incorporated towns or other municipal corporations shall be residents thereof and shall be appointed by a resolution of the governing bodies thereof and upon the filing of a certified copy or copies of the resolution or resolutions in the office of the clerk of the county commission which entered the order creating the district, the persons so appointed become members of the board without any further act or proceedings. If the number of members of the board so appointed by the governing bodies of cities, incorporated towns or other municipal corporations included in the district equals or exceeds three, then no further members shall be appointed to the board and the members so appointed are the board of the district except in cases of merger or consolidation where the number of board members may equal five.

If no city, incorporated town or other municipal corporation having a population of more than three thousand is included within the district, then the county commission which entered the order creating the district shall appoint three members of the board, who are persons residing within the district and residing within the state of West Virginia, which three members become members of the board of the district without any further act or proceedings except in cases of merger or consolidation where the number of board members may equal five.

If the number of members of the board appointed by the governing bodies of cities, incorporated towns or other municipal corporations included within the district is less than three, then the county commission which entered the order creating the district shall appoint such additional member or members of the

board, who are persons residing within the district, as is necessary to make the number of members of the board equal three except in cases of merger or consolidation where the number of board members may equal five, and the member or members appointed by the governing bodies of the cities, incorporated towns or other municipal corporations included within the district and the additional member or members appointed by the county commission as aforesaid, are the board of the district. A person may serve as a member of the board in one or more public service districts.

The population of any city, incorporated town or other municipal corporation, for the purpose of determining the number of members of the board, if any, to be appointed by the governing body or bodies thereof, is the population stated for such city, incorporated town or other municipal corporation in the last official federal census.

Notwithstanding any provision of this code to the contrary, whenever a district is consolidated or merged pursuant to section two of this article, the terms of office of the existing board members shall end on the effective date of the merger or consolidation. The county commission shall appoint a new board according to rules promulgated by the public service commission. Whenever districts are consolidated or merged no provision of this code prohibits the expansion of membership on the new board to five.

The respective terms of office of the members of the first board shall be fixed by the county commission and shall be as equally divided as may be, that is approximately one third of the members for a term of two years, a like number for a term of four years, the term of the remaining member or members for six years, from the first day of the month during which the appointments are made. The first members of the board appointed as aforesaid shall meet at the office of the clerk of the county commission which entered the order creating the district as soon as practicable after the appointments and shall qualify by taking an oath of office: Provided, That any member or members of the board may be removed from their respective office as provided in section three-a of this article.

Any vacancy shall be filled for the unexpired term within thirty days, otherwise successor members of the board shall be appointed for terms of six years and the terms of office shall continue until successors have been appointed and qualified. All successor members shall be appointed in the same manner as the member succeeded was appointed. The district shall provide to the public service commission, within thirty days of the appointment, the following information: The new board member's name, home address, home and office phone numbers, date of appointment, length of term, who the new member replaces and if the new appointee has previously served on the board. The public service commission shall notify each new board member of the legal obligation to attend training as prescribed in this section.

The board shall organize within thirty days following the first appointments and annually thereafter at its first meeting after the first day of January of each year by selecting one of its members to serve as chair and by appointing a

secretary and a treasurer who need not be members of the board. The secretary shall keep a record of all proceedings of the board which shall be available for inspection as other public records. Duplicate records shall be filed with the county commission and shall include the minutes of all board meetings. The treasurer is lawful custodian of all funds of the public service district and shall pay same out on orders authorized or approved by the board. The secretary and treasurer shall perform other duties appertaining to the affairs of the district and shall receive salaries as shall be prescribed by the board. The treasurer shall furnish bond in an amount to be fixed by the board for the use and benefit of the district.

The members of the board, and the chair, secretary and treasurer thereof, shall make available to the county commission, at all times, all of its books and records pertaining to the district's operation, finances and affairs, for inspection and audit. The board shall meet at least monthly.

Acts 1953, c. 147; Acts 1965, c. 134; Acts 1971, c. 72; Acts 1981, c. 124; Acts 1983, c. 166; Acts 1986, c. 81; Acts 1994, c. 61; Acts 1997, c. 159, eff. 90 days after April 12, 1997; Acts 2002, c. 272, eff. 90 days after March 9, 2002.

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C.J.S. Municipal Corporations § 12.

Notes of Decisions

In general 1
Criminal responsibility of members 4
Ministerial officers, generally 3
Standard of care 2

1. In general

Board members of the Mt. Zion Public Service District cannot be compensated for performing the duties of treasurer and/or secretary for the Mt. Zion Public Service District; furthermore, a board member may not be compensated for reading meters for the Mt. Zion Public Service District. Howley, Op.Atty.Gen., July 14, 1988.

2. Standard of care

Public service district owes duty of reasonable care to avoid damage to property of others with respect to maintenance of water lines. McCloud v. Salt Rock Water Public Service Dist., 2000, 533 S.E.2d 679, 207 W.Va. 453. Waters And Water Courses ⟹ 205

3. Ministerial officers, generally

Public policy of West Virginia, as evidenced by statute making it unlawful for county or district board member or officer to be or become pecuniarily interested in proceeds of any contract or service over which he might have any voice, influence, or control, is not directed against actual fraud or collusion but is for purpose of preventing those acts and eliminating any opportunity therefor, and purpose of statute is to protect public funds and give official recognition to fact that person cannot properly represent public in transacting business with himself. Code, 61–10–15. State v. Neary, 1987, 365 S.E.2d 395, 179 W.Va. 115. Courts ⟹ 55

4. Criminal responsibility of members

County commissioner's conviction for being or becoming pecuniarily interested in contract over which he might have some voice or influence was supported by evidence of his continued performance of contract maintenance work for public service district after his election to commission. Code, 61–10–15. State v. Neary,

1987, 365 S.E.2d 395, 179 W.Va. 115. Counties ⟹ 60

§ 16–13A–3a. Removal of members of public service board

The county commission or the public service commission or any other appointive body creating or establishing a public service district under the provisions of this article, or any group of five percent or more of the customers of a public service district, may petition the circuit court of the county in which the district maintains its principal office for the removal of any member of the governing board thereof for consistent violations of any provisions of this article, for reasonable cause which includes, but is not limited to, a continued failure to attend meetings of the board, failure to diligently pursue the objectives for which the district was created, or failure to perform any other duty either prescribed by law or required by a final order of the public service commission or for any malfeasance in public office. Any board member charged with a violation under this section who offers a successful defense against such charges shall be reimbursed for the reasonable costs of such defense from district revenues. Such costs shall be considered as costs associated with rate determination by the public service district and the public service commission. If the circuit court judge hearing the petition for removal finds that the charges are frivolous in nature, the judge may assess all or part of the court costs, plus the reasonable costs associated with the board member's defense, against the party or parties who petitioned the court for the board member's removal.

Acts 1963, c. 75; Acts 1971, c. 72; Acts 1981, c. 124; Acts 1986, c. 81.

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Counties ⟹45.
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Westlaw Key Number Searches: 104k45; 317Ak145.

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C.J.S. Counties § 67.
C.J.S. Public Utilities §§ 18, 65 to 67.

Notes of Decisions

Criminal responsibility of members 1
Ministerial officers, generally 2
Sufficiency of evidence 3

1. Criminal responsibility of members

Upon becoming member of county commission, person who is pecuniarily interested in proceeds of any contract or service with public service district violates criminal conflict of interest statute; by virtue of that position, that person has some voice, influence, or control over continuation of contract. Code, 61–10–15. State v. Neary, 1987, 365 S.E.2d 395, 179 W.Va. 115. Counties ⟹ 60

2. Ministerial officers, generally

Public policy of West Virginia, as evidenced by statute making it unlawful for county or district board member or officer to be or become pecuniarily interested in proceeds of any contract or service over which he might have any voice, influence, or control, is not directed against actual fraud or collusion but is for purpose of preventing those acts and eliminating any opportunity therefor, and purpose of statute is to protect public funds and give official recognition to fact that person cannot properly represent public in transacting business with himself. Code, 61–10–15. State v. Neary, 1987, 365 S.E.2d 395, 179 W.Va. 115. Courts ⟹ 55

3. Sufficiency of evidence

County commissioner's conviction for being or becoming pecuniarily interested in contract over which he might have some voice or influence was supported by evidence of his contin-

ued performance of contract maintenance work for public service district after his election to commission. Code, 61–10–15. State v. Neary, 1987, 365 S.E.2d 395, 179 W.Va. 115. Counties ⟹ 60

Conflict of interest indictment against county commissioner was sufficient even though it did not characterize commissioner's interest as pecuniary, and commissioner was not entitled to bill of particulars. Code, 61–10–15. State v. Neary, 1987, 365 S.E.2d 395, 179 W.Va. 115. Counties ⟹ 60

§ 16–13A–4. Board chairman; members' compensation; procedure; district name

(a) The chairman shall preside at all meetings of the board and may vote as any other member of the board. If the chairman is absent from any meeting, the remaining members may select a temporary chairman and if the member selected as chairman resigns as such or ceases for any reason to be a member of the board, the board shall select one of its members as chairman to serve until the next annual organization meeting.

(b) Salaries of the board members are:

(1) For districts with fewer than six hundred customers, up to seventy-five dollars per attendance at regular monthly meetings and fifty dollars per attendance at additional special meetings, total salary not to exceed fifteen hundred dollars per annum;

(2) For districts with six hundred customers or more but fewer than two thousand customers, up to one hundred dollars per attendance at regular monthly meetings and seventy-five dollars per attendance at additional special meetings, total salary not to exceed two thousand five hundred fifty dollars per annum;

(3) For districts with two thousand customers or more, up to one hundred twenty-five dollars per attendance at regular monthly meetings and seventy-five dollars per attendance at additional special meetings, total salary not to exceed three thousand seven hundred fifty dollars per annum; and

(4) For districts with four thousand or more customers, up to one hundred fifty dollars per attendance at regular monthly meetings and one hundred dollars per attendance at additional special meetings, total salary not to exceed five thousand four hundred dollars per annum.

The public service district shall certify the number of customers served to the public service commission beginning on the first day of July, one thousand nine hundred eighty-six, and continue each fiscal year thereafter.

(c) Public service districts selling water to other water utilities for resale may adopt the following salaries for its board members:

(1) For districts with annual revenues of less than fifty thousand dollars, up to seventy-five dollars per attendance at regular monthly meetings and fifty dollars per attendance at additional special meetings, total salary not to exceed fifteen hundred dollars per annum;

(2) For districts with annual revenues of fifty thousand dollars or more, but less than two hundred fifty thousand dollars, up to one hundred dollars per attendance at regular monthly meetings and seventy-five dollars per attendance

at special meetings, total salary not to exceed two thousand five hundred fifty dollars per annum;

(3) For districts with annual revenues of two hundred fifty thousand dollars or more, but less than five hundred thousand dollars, up to one hundred twenty-five dollars per attendance at regular monthly meetings and seventy-five dollars per attendance at additional special meetings, total salary not to exceed three thousand seven hundred fifty dollars per annum; and

(4) For districts with annual revenues of five hundred thousand dollars or more, up to one hundred fifty dollars per attendance at regular monthly meetings and one hundred dollars per attendance at additional special meetings, total salary not to exceed five thousand four hundred dollars per annum.

The public service district shall certify the number of customers served and its annual revenue to the public service commission beginning on the first day of July, two thousand, and continue each fiscal year thereafter.

(d) Board members may be reimbursed for all reasonable and necessary expenses actually incurred in the performance of their duties as provided for by the rules of the board.

(e) The board shall by resolution determine its own rules of procedure, fix the time and place of its meetings and the manner in which special meetings may be called. Public notice of meetings shall be given in accordance with section three, article nine-a, chapter six of this code. Emergency meetings may be called as provided for by said section. A majority of the members constituting the board also constitute a quorum to do business.

(f) The members of the board are not personally liable or responsible for any obligations of the district or the board, but are answerable only for willful misconduct in the performance of their duties. At any time prior to the issuance of bonds as hereinafter provided, the board may by resolution change the official or corporate name of the public service district and the change is effective from the filing of an authenticated copy of such resolution with the clerk of the county commission of each county in which the territory embraced within such district or any part thereof is located and with the public service commission. The official name of any district created under the provisions of this article may contain the name or names of any city, incorporated town or other municipal corporation included therein or the name of any county or counties in which it is located.

Acts 1953, c. 147; Acts 1981, c. 124; Acts 1986, c. 81; Acts 1997, c. 159, eff. 90 days after April 12, 1997; Acts 2000, c. 199, eff. 90 days after March 11, 2000.

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Westlaw Key Number Searches: 104k68; 104k87; 268k161 to 268k170.

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C.J.S. Municipal Corporations §§ 369 to 405.

Notes of Decisions

In general 1

1. In general

Board members of the Mt. Zion Public Service District cannot be compensated for performing the duties of treasurer and/or secretary for the Mt. Zion Public Service District; furthermore, a board member may not be compensated for reading meters for the Mt. Zion Public Service District. Howley, Op.Atty.Gen., July 14, 1988.

§ 16–13A–5. General manager of board

The board may employ a general manager to serve a term of not more than five years and until his or her successor is employed, and his or her compensation shall be fixed by resolution of the board. Such general manager shall devote all or the required portion of his or her time to the affairs of the district and may employ, discharge and fix the compensation of all employees of the district, except as in this article otherwise provided, and he or she shall perform and exercise such other powers and duties as may be conferred upon him or her by the board.

Such general manager shall be chosen without regard to his or her political affiliations and upon the sole basis of his or her administrative and technical qualifications to manage public service properties and affairs of the district and he or she may be discharged only upon the affirmative vote of two thirds of the board. Such general manager need not be a resident of the district at the time he or she is chosen. Such general manager may not be a member of the board but shall be an employee of the board.

The board of any public service district which purchases water, sewer or stormwater service from a municipal water, sewer or stormwater system or another public service district may, as an alternative to hiring its own general manager, elect to permit the general manager of the municipal water, sewer or stormwater system or public service district from which such water, sewer or stormwater service is purchased provide professional management to the district, if the appropriate municipality or public service board agrees to provide such assistance. The general manager shall receive reasonable compensation for such service.

Acts 1953, c. 147; Acts 1981, c. 124; Acts 1986, c. 81; Acts 2002, c. 272, eff. 90 days after March 9, 2002.

Library References

Key Numbers

Counties ⟹65, 68.
Municipal Corporations ⟹149, 161.
Westlaw Key Number Searches: 104k65; 104k68; 268k149; 268k161.

Encyclopedias

C.J.S. Counties §§ 101 to 103, 107 to 108.
C.J.S. Municipal Corporations §§ 361, 372 to 373, 376, 378, 384 to 385, 390.

§ 16–13A–6. Employees of board

The board may in its discretion from time to time by resolution passed by a majority vote provide for the employment of an attorney, fiscal agent, one or more engineers and such other employees as the board may determine necessary and expedient. The board shall in and by such resolution fix the term of

employment and compensation and prescribe the duties to be performed by such employees.

Acts 1953, c. 147; Acts 1981, c. 124.

Library References

Key Numbers
Counties ⟹65, 68, 87.
Municipal Corporations ⟹149, 161, 170.
Westlaw Key Number Searches: 104k65; 104k68; 104k87; 268k149; 268k161; 268k170.

Encyclopedias
C.J.S. Counties §§ 101 to 103, 107 to 108, 128.
C.J.S. Municipal Corporations §§ 361, 372 to 373, 376, 378, 384 to 385, 390 to 405.

§ 16–13A–7. Acquisition and operation of district properties

The board of such districts shall have the supervision and control of all public service properties acquired or constructed by the district, and shall have the power, and it shall be its duty, to maintain, operate, extend and improve the same, including, but not limited to, those activities necessary to comply with all federal and state requirements, including water quality improvement activities. All contracts involving the expenditure by the district of more than fifteen thousand dollars for construction work or for the purchase of equipment and improvements, extensions or replacements, shall be entered into only after notice inviting bids shall have been published as a Class I legal advertisement in compliance with the provision of article three, chapter fifty-nine of this code, and the publication area for such publication shall be as specified in section two of this article in the county or counties in which the district is located. The publication shall not be less than ten days prior to the making of any such contract. To the extent allowed by law, in-state contractors shall be given first priority in awarding public service district contracts. It shall be the duty of the board to ensure that local in-state labor shall be utilized to the greatest extent possible when hiring laborers for public service district construction or maintenance repair jobs. It shall further be the duty of the board to encourage contractors to use American made products in their construction to the extent possible. Any obligations incurred of any kind or character shall not in any event constitute or be deemed an indebtedness within the meaning of any of the provisions or limitations of the constitution, but all such obligations shall be payable solely and only out of revenues derived from the operation of the public service properties of the district or from proceeds of bonds issued as hereinafter provided. No continuing contract for the purchase of materials or supplies or for furnishing the district with electrical energy or power shall be entered into for a longer period than fifteen years.

Acts 1953, c. 147; Acts 1967, c. 105; Acts 1981, c. 124; Acts 1982, c. 24; Acts 1986, c. 81; Acts 1997, c. 159, eff. 90 days after April 12, 1997; Acts 2002, c. 272, eff. 90 days after March 9, 2002.

Library References

Key Numbers
Counties ⟹107.
Municipal Corporations ⟹711.
Public Utilities ⟹114.
Westlaw Key Number Searches: 104k107; 268k711; 317Ak114.

Encyclopedias
C.J.S. Counties § 147.

C.J.S. Public Utilities §§ 6 to 10, 73 to 75.

§ 16–13A–8. Acquisition and purchase of public service properties; right of eminent domain; extraterritorial powers

The board may acquire any publicly or privately owned public service properties located within the boundaries of the district regardless of whether or not all or any part of such properties are located within the corporate limits of any city, incorporated town or other municipal corporation included within the district and may purchase and acquire all rights and franchises and any and all property within or outside the district necessary or incidental to the purpose of the district.

The board may construct any public service properties within or outside the district necessary or incidental to its purposes and each such district may acquire, construct, maintain and operate any such public service properties within the corporate limits of any city, incorporated town or other municipal corporation included within the district or in any unincorporated territory within ten miles of the territorial boundaries of the district: Provided, That if any incorporated city, town or other municipal corporation included within the district owns and operates either water facilities, sewer facilities, stormwater facilities or gas facilities or all of these, then the district may not acquire, construct, establish, improve or extend any public service properties of the same kind within such city, incorporated towns or other municipal corporations or the adjacent unincorporated territory served by such cities, incorporated towns or other municipal corporations, except upon the approval of the public service commission, the consent of such cities, incorporated towns or other municipal corporations and in conformity and compliance with the rights of the holders of any revenue bonds or obligations theretofore issued by such cities, incorporated towns or other municipal corporations then outstanding and in accordance with the ordinance, resolution or other proceedings which authorize the issuance of such revenue bonds or obligations.

Whenever such district has constructed, acquired or established water facilities, sewer facilities, a stormwater system, stormwater management program or gas facilities for water, sewer, stormwater or gas services within any city, incorporated town or other municipal corporation included within a district, then such city, incorporated town or other municipal corporation may not thereafter construct, acquire or establish any facilities of the same kind within such city, incorporated town or other municipal corporation without the consent of such district.

For the purpose of acquiring any public service properties or lands, rights or easements deemed necessary or incidental for the purposes of the district, each such district has the right of eminent domain to the same extent and to be exercised in the same manner as now or hereafter provided by law for such right of eminent domain by cities, incorporated towns and other municipal corporations: Provided, That the power of eminent domain provided in this section does not extend to highways, road and drainage easements, or stormwater facilities constructed, owned or operated by the West Virginia division of

highways without the express agreement of the commissioner of highways: Provided, however, That such board may not acquire all or any substantial part of a privately owned waterworks system unless and until authorized so to do by the public service commission of West Virginia, and that this section shall not be construed to authorize any district to acquire through condemnation proceedings either in whole or substantial part an existing privately owned waterworks plant or system or gas facilities located in or furnishing water or gas service within such district or extensions made or to be made by it in territory contiguous to such existing plant or system, nor may any such board construct or extend its public service properties to supply its services into areas served by or in competition with existing waterworks or gas facilities or extensions made or to be made in territory contiguous to such existing plant or system by the owner thereof.

Acts 1953, c. 147; Acts 1980, c. 60; Acts 1981, c. 124; Acts 2002, c. 272, eff. 90 days after March 9, 2002.

Library References

Key Numbers

Counties ⟹103 to 104.
Eminent Domain ⟹6, 16.
Municipal Corporations ⟹221, 224.
Westlaw Key Number Searches: 104k103 to 104k104; 148k6; 148k16; 268k221; 268k224.

Encyclopedias

C.J.S. Counties §§ 143 to 144, 148.
C.J.S. Eminent Domain § 22.
C.J.S. Municipal Corporations §§ 873 to 880.

Notes of Decisions

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1. Validity

Title of act authorizing creation of public service districts in connection with acquisition, construction, maintenance, operation, improvement and extension of properties supplying water and sewerage services, clearly defines object and purposes of act and powers of governing board, and is sufficient to meet constitutional requirements. Acts 1953, c. 147; Const. art. 6, § 30. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Statutes ⟹ 123(3)

Property of public service district is public property used for public purposes, and, under constitutional provision that public property shall be exempt from taxation, statute authorizing creation of public service districts and granting tax exemption was not violative of constitutional provision requiring that taxation be equal and uniform throughout state. Acts 1953, c. 147, § 1 et seq.; Const. art. 10, § 1. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Taxation ⟹ 194

2. In general

Statute providing that private property may be taken or damaged for a number of specified purposes amounts to legislative declaration of public purposes within meaning of laws, and it is a judicial question whether such declaration is consonant with organic law. Acts 1949, c. 59; Const. art. 3, § 9. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Constitutional Law ⟹ 70.1(8)

3. Eminent domain powers

Although construction of new facility proposed by utility will often require taking of private property through eminent domain, absent express statutory language Public Service Commission (PSC) has no duty to review and decide issues that are inherent in eminent domain proceeding. Sexton v. Public Service Com'n, 1992, 423 S.E.2d 914, 188 W.Va. 305. Public Utilities ⟹ 114

Statute providing that private property may be taken or damaged for a number of specified purposes is consonant with organic law and is constitutional. Acts 1949, c. 59; Const. art. 3, § 9. State ex rel. McMillion v. Stahl, 1955, 89

S.E.2d 693, 141 W.Va. 233. Eminent Domain ⟹ 3

4. Valuation of property

Although landowner is competent to give estimate of value of property in eminent domain proceeding, that valuation is not conclusive; government agency may rely on appraisal report concerning estimated value of property to be taken. Sexton v. Public Service Com'n, 1992, 423 S.E.2d 914, 188 W.Va. 305. Evidence ⟹ 568(4)

5. Environmental assessment

Whether construction of sewage lagoons would constitute "nuisance" does not defeat Public Service Commission's (PSC) jurisdiction to issue certificate of public convenience and necessity; while PSC may assess environmental considerations, chief inquiry by PSC is need of public for project. Code, 24–2–11. Sexton v. Public Service Com'n, 1992, 423 S.E.2d 914, 188 W.Va. 305. Municipal Corporations ⟹ 708

6. Connections with sewers or drains

City, rather than sewer and water districts, was entitled to provide sewer and water services to newly developed tract that was within districts' boundaries, but was annexed to city, where such services were not previously furnished to tract. Code, 16–13A–8. Berkeley County Public Service Sewer Dist. v. West Virginia Public Service Com'n, 1998, 512 S.E.2d 201, 204 W.Va. 279. Municipal Corporations ⟹ 712(1)

If a tract of real estate located within a public service district has been annexed into a municipality, then, as between the municipality and the public service district, the municipality has the superior right to extend water and/or sewer service which were not being previously furnished to the tract by the public service district, and under those circumstances, a public service district would need the consent of the municipality and the Public Service Commission (PSC) in order to provide such service. Code, 16–13A–8. Berkeley County Public Service Sewer Dist. v. West Virginia Public Service Com'n, 1998, 512 S.E.2d 201, 204 W.Va. 279. Municipal Corporations ⟹ 712(1)

7. Public corporation

A public service district is a public corporation and does not come within constitutional provision which in substance provides that all corporations shall be created by general laws and which is applicable to private corporations. Acts 1953, c. 147, § 1 et seq.; Const. art. 11, § 1. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Statutes ⟹ 80(3)

§ 16–13A–9. Rules; service rates and charges; discontinuance of service; required water and sewer connections; lien for delinquent fees

The board may make, enact and enforce all needful rules in connection with the acquisition, construction, improvement, extension, management, maintenance, operation, care, protection and the use of any public service properties owned or controlled by the district, and the board shall establish rates, fees and charges for the services and facilities it furnishes, which shall be sufficient at all times, notwithstanding the provisions of any other law or laws, to pay the cost of maintenance, operation and depreciation of such public service properties and principal of and interest on all bonds issued, other obligations incurred under the provisions of this article and all reserve or other payments provided for in the proceedings which authorized the issuance of any bonds hereunder. The schedule of such rates, fees and charges may be based upon either (a) the consumption of water or gas on premises connected with such facilities, taking into consideration domestic, commercial, industrial and public use of water and gas; or (b) the number and kind of fixtures connected with such facilities located on the various premises; or (c) the number of persons served by such facilities; or (d) any combination thereof; or (e) may be determined on any other basis or classification which the board may determine to be fair and reasonable, taking into consideration the location of the premises served and the nature and extent of the services and facilities furnished. However, no rates, fees or charges for stormwater services may be assessed against highways, road

and drainage easements, or stormwater facilities constructed, owned or operated by the West Virginia division of highways. Where water, sewer, stormwater or gas services, or any combination thereof, are all furnished to any premises, the schedule of charges may be billed as a single amount for the aggregate thereof. The board shall require all users of services and facilities furnished by the district to designate on every application for service whether the applicant is a tenant or an owner of the premises to be served. If the applicant is a tenant, he or she shall state the name and address of the owner or owners of the premises to be served by the district. All new applicants for service shall deposit a minimum of fifty dollars with the district to secure the payment of service rates, fees and charges in the event they become delinquent as provided in this section. In any case where a deposit is forfeited to pay service rates, fees and charges which were delinquent at the time of disconnection or termination of service, no reconnection or reinstatement of service may be made by the district until another minimum deposit of fifty dollars has been remitted to the district. Whenever any rates, fees, rentals or charges for services or facilities furnished remain unpaid for a period of thirty days after the same become due and payable, the property and the owner thereof, as well as the user of the services and facilities provided are delinquent and the owner, user and property are liable at law until such time as all such rates, fees and charges are fully paid: Provided, That the property owner shall be given notice of any said delinquency by certified mail, return receipt requested. The board may, under reasonable rules promulgated by the public service commission, shut off and discontinue water or gas services to all delinquent users of either water or gas facilities, or both: Provided, however, That upon written request of the owner or owners of the premises, the board shall shut off and discontinue water and gas services where any rates, fees, rentals, or charges for services or facilities remain unpaid by the user of the premises for a period of sixty days after the same became due and payable.

In the event that any publicly or privately owned utility, city, incorporated town, other municipal corporation or other public service district included within the district owns and operates separately either water facilities or sewer facilities, and the district owns and operates the other kind of facilities, either water or sewer, as the case may be, then the district and such publicly or privately owned utility, city, incorporated town or other municipal corporation or other public service district shall covenant and contract with each other to shut off and discontinue the supplying of water service for the nonpayment of sewer service fees and charges: Provided, That any contracts entered into by a public service district pursuant to this section shall be submitted to the public service commission for approval. Any public service district providing water and sewer service to its customers has the right to terminate water service for delinquency in payment of either water or sewer bills. Where one public service district is providing sewer service and another public service district or a municipality included within the boundaries of the sewer district is providing water service, and the district providing sewer service experiences a delinquency in payment, the district or the municipality included within the boundaries of the sewer district that is providing water service, upon the request of the

district providing sewer service to the delinquent account, shall terminate its water service to the customer having the delinquent sewer account: Provided, however, That any termination of water service must comply with all rules and orders of the public service commission.

Any district furnishing sewer facilities within the district may require, or may by petition to the circuit court of the county in which the property is located, compel or may require the bureau of public health to compel all owners, tenants or occupants of any houses, dwellings and buildings located near any such sewer facilities, where sewage will flow by gravity or be transported by such other methods approved by the bureau of public health including, but not limited to, vacuum and pressure systems, approved under the provisions of section nine, article one, chapter sixteen of this code, from such houses, dwellings or buildings into such sewer facilities, to connect with and use such sewer facilities, and to cease the use of all other means for the collection, treatment and disposal of sewage and waste matters from such houses, dwellings and buildings where there is such gravity flow or transportation by such other methods approved by the bureau of public health including, but not limited to, vacuum and pressure systems, approved under the provisions of section nine, article one, chapter sixteen of this code, and such houses, dwellings and buildings can be adequately served by the sewer facilities of the district, and it is hereby found, determined and declared that the mandatory use of such sewer facilities provided for in this paragraph is necessary and essential for the health and welfare of the inhabitants and residents of such districts and of the state: Provided, That if the public service district determines that the property owner must connect with the sewer facilities even when sewage from such dwellings may not flow to the main line by gravity and the property owner must incur costs for any changes in the existing dwellings' exterior plumbing in order to connect to the main sewer line, the public service district board shall authorize the district to pay all reasonable costs for such changes in the exterior plumbing, including, but not limited to, installation, operation, maintenance and purchase of a pump, or any other method approved by the bureau of public health; maintenance and operation costs for such extra installation should be reflected in the users charge for approval of the public service commission. The circuit court shall adjudicate the merits of such petition by summary hearing to be held not later than thirty days after service of petition to the appropriate owners, tenants or occupants.

Whenever any district has made available sewer facilities to any owner, tenant or occupant of any house, dwelling or building located near such sewer facility, and the engineer for the district has certified that such sewer facilities are available to and are adequate to serve such owner, tenant or occupant, and sewage will flow by gravity or be transported by such other methods approved by the bureau of public health from such house, dwelling or building into such sewer facilities, the district may charge, and such owner, tenant or occupant shall pay the rates and charges for services established under this article only after thirty-day notice of the availability of the facilities has been received by the owner.

Whenever any district has made available a stormwater system to any owner, tenant or occupant of any real property located near such stormwater system, and where stormwater from such real property affects or drains into such stormwater system, it is hereby found, determined and declared that such owner, tenant or occupant is being served by such stormwater system, and it is further hereby found, determined and declared that the mandatory use of such stormwater system is necessary and essential for the health and welfare of the inhabitants and residents of such district and of the state. The district may charge, and such owner, tenant or occupant shall pay the rates, fees and charges for stormwater services established under this article only after thirty-day notice of the availability of the stormwater system has been received by the owner.

All delinquent fees, rates and charges of the district for either water facilities, sewer facilities, stormwater systems or stormwater management systems or gas facilities are liens on the premises served of equal dignity, rank and priority with the lien on such premises of state, county, school and municipal taxes. In addition to the other remedies provided in this section, public service districts are hereby granted a deferral of filing fees or other fees and costs incidental to the bringing and maintenance of an action in magistrate court for the collection of delinquent water, sewer, stormwater or gas bills. If the district collects the delinquent account, plus reasonable costs, from its customer or other responsible party, the district shall pay to the magistrate the normal filing fee and reasonable costs which were previously deferred. In addition, each public service district may exchange with other public service districts a list of delinquent accounts.

Anything in this section to the contrary notwithstanding, any establishment, as defined in section three, article eleven, chapter twenty-two, now or hereafter operating its own sewage disposal system pursuant to a permit issued by the division of environmental protection, as prescribed by section eleven, article eleven, chapter twenty-two of this code, is exempt from the provisions of this section.'16-13A-14. Items included in cost of properties.

The cost of any public service properties acquired under the provisions of this article shall be deemed to include the cost of the acquisition or construction thereof, the cost of all property rights, easements and franchises deemed necessary or convenient therefor and for the improvements and extensions thereto; for stormwater systems and associated stormwater management programs, those activities which include, but are not limited to, water quality improvement activities necessary to comply with all federal and state requirements; interest upon bonds prior to and during construction or acquisition and for six months after completion of construction or of acquisition of the improvements and extensions; engineering, fiscal agents and legal expenses; expenses for estimates of cost and of revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, and such other expenses as may be necessary or incident to the financing herein authorized, and the construction or acquisition of the properties and the placing of same in

operation, and the performance of the things herein required or permitted, in connection with any thereof.

Acts 1953, c. 147; Acts 1965, c. 134; Acts 1980, c. 60; Acts 1981, c. 124; Acts 1986, c. 81; Acts 1989, c. 174; Acts 1994, c. 61; Acts 2002, c. 272, eff. 90 days after March 9, 2002.

Law Review and Journal Commentaries

The Scope of Title Examination in West Virginia: Can Reasonable Minds Differ? John W. Fisher, II, 98 W. Va. L. Rev. 449 (1996).

Library References

Key Numbers

Gas ⚷14.6.
Municipal Corporations ⚷712(7)–712(8).
Waters and Water Courses ⚷203.
Westlaw Key Number Searches: 190k14.6; 268k712(7) to 268k712(8); 405k203.

Encyclopedias

C.J.S. Gas §§ 84 to 86.
C.J.S. Municipal Corporations § 1538.
C.J.S. Waters § 284.

Notes of Decisions

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1. Validity

In statute authorizing creation of public service districts, provision for delinquent fixed rates and charges for services rendered to be lien on premises served was not unconstitutional as depriving owners of property without due process of law or as violating Fourteenth Amendment of United States Constitution or applicable provisions of State Constitution. Acts 1953, c. 147, § 1 et seq.; Const. art. 3, §§ 9; 10; U.S.C.A.Const. Amend. 14. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Constitutional Law ⚷ 300(1)

2. Takings

Public service district's requiring property owner to connect onto its sewer system and to abandon private sewer system located on property was not a taking of private property without just compensation. Const. Art. 3, § 9; Code, 16–13A–9; U.S.C.A. Const.Amend. 5. Kingmill Valley Public Service Dist. v. Riverview Estates Mobile Home Park, Inc., 1989, 386 S.E.2d 483, 182 W.Va. 116. Eminent Domain ⚷ 2(10)

Statute providing that private property may be taken or damaged for a number of specified purposes amounts to legislative declaration of public purposes within meaning of laws, and it is a judicial question whether such declaration is consonant with organic law. Acts 1949, c. 59; Const. art. 3, § 9. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Constitutional Law ⚷ 70.1(8)

3. Public service district liens

Public service district liens must be docketed to be enforceable against purchaser of property for valuable consideration, without notice. Code, 16–13A–9, 38–10C–1. McClung Investments, Inc. v. Green Valley Community Public Service Dist., 1997, 485 S.E.2d 434, 199 W.Va. 490. Gas ⚷ 14.6

Public service district's failure to docket notice of lien prior to date purchaser recorded deed of trust prevented district from enforcing sewer lien against purchaser. Code, 16–13A–9, 38–10C–1. McClung Investments, Inc. v. Green Valley Community Public Service Dist., 1997, 485 S.E.2d 434, 199 W.Va. 490. Municipal Corporations ⚷ 712(7)

If owner, tenant or occupant of garage apartment did not receive notice that public service district's sewer facilities were available for apartment, district would have been without statutory authority to impose charges and a lien against apartment for sewer services, though the apartment was on a lot containing another dwelling which was properly subject to sewer service charges. Code, 16–13A–9, 16–13A–21. Rhodes v. Malden Public Service Dist., 1983, 301 S.E.2d 601, 171 W.Va. 645. Municipal Corporations ⚷ 712(7)

Statute authorizing creation of public service districts confers upon public service board authority to create mortgage lien on the property of public service district, and action of legislature conferring such authority was within the legislature's power. Acts 1953, c. 147; Const. art. 10, § 8. State ex rel. McMillion v. Stahl,

1955, 89 S.E.2d 693, 141 W.Va. 233. Municipal Corporations ⟹ 222

4. Rates and charges for service

Statute clearly and unambiguously gives Public Service Commission (PSC) power to reduce or increase utility rates whenever it finds that existing rate is unjust, unreasonable, insufficient, or unjustly discriminatory or otherwise in violation of any provision of legislation governing Commission. Code, 24–1–1 et seq., 24–2–3. State ex rel. Water Development Authority v. Northern Wayne County Public Service Dist., 1995, 464 S.E.2d 777, 195 W.Va. 135. Public Utilities ⟹ 123

Corporations holding sewer revenue bonds of public service district, a public corporation and political subdivision of state, had right by mandamus to enforce and compel district and members of the Public Service Board to establish, charge and collect rates for services rendered by district sufficient to provide for all operational and maintenance expenses, to pay, when due, principal and interest of revenue bonds issued by district, and to file tariffs reflecting such charges with Public Service Commission. Code, 16–13A–1 et seq., 16–13A–9, 16–13A–10, 16–13A–13, 16–13A–17. State ex rel. Allstate Ins. Co. v. Union Public Service Dist., 1966, 151 S.E.2d 102, 151 W.Va. 207. Mandamus ⟹ 110

Duty imposed on public service district, a public corporation and political subdivision of state, to establish rates and charges sufficient to pay cost of maintenance, operation and depreciation of properties of district and principal of and interest on all bonds issued by district is nondiscretionary duty which may be enforced by mandamus. Code, 16–13A–9. State ex rel. Allstate Ins. Co. v. Union Public Service Dist., 1966, 151 S.E.2d 102, 151 W.Va. 207. Mandamus ⟹ 80

5. Notice of availability of sewer service

Issue of fact as to whether owner or tenant had received notice that public service district's sewer services were available for garage apartment, so as to allow imposition of sewer service charges and a lien against apartment, was not appropriate for resolution in mandamus proceeding. Code, 16–13A–9, 16–13A–21. Rhodes v. Malden Public Service Dist., 1983, 301 S.E.2d 601, 171 W.Va. 645. Mandamus ⟹ 174

§ 16–13A–9a. Limitations with respect to foreclosure

No public service district shall foreclose upon the premises served by such district for delinquent fees, rates or charges for which a lien is authorized by sections nine or nineteen of this article except through the bringing and maintenance of a civil action for such purpose brought in the circuit court of the county wherein the district lies. In every such action, the court shall be required to make a finding based upon the evidence and facts presented that the district prior to the bringing of such action had exhausted all other remedies for the collection of debts with respect to such delinquencies. In no event shall foreclosure procedures be instituted by any such district or on its behalf unless such delinquency had been in existence or continued for a period of two years from the date of the first such delinquency for which foreclosure is being sought.

Acts 1982, c. 74.

Library References

Key Numbers

Gas ⟹14.6.
Municipal Corporations ⟹712(7)–712(8).
Waters and Water Courses ⟹203.
Westlaw Key Number Searches: 190k14.6; 268k712(7) to 268k712(8); 405k203.

Encyclopedias

C.J.S. Gas §§ 84 to 86.
C.J.S. Municipal Corporations § 1538.
C.J.S. Waters § 284.

§ 16–13A–10. Budget

The board shall establish the beginning and ending of its fiscal year, which period shall constitute its budget year, and at least thirty days prior to the beginning of the first full fiscal year after the creation of the district and

annually thereafter the general manager shall prepare and submit to the board a tentative budget which shall include all operation and maintenance expenses, payments to a capital replacement account and bond payment schedules for the ensuing fiscal year. Such tentative budget shall be considered by the board, and, subject to any revisions or amendments that may be determined by the board, shall be adopted as the budget for the ensuing fiscal year. Upon adoption of the budget, a copy of the budget shall be forwarded to the county commission. No expenditures for operation and maintenance expenses in excess of the budget shall be made during such fiscal year unless unanimously authorized and directed by the board.

Acts 1953, c. 147; Acts 1981, c. 124.

Notes of Decisions

In general 1

1. In general

Corporations holding sewer revenue bonds of public service district, a public corporation and political subdivision of state, had right by mandamus to enforce and compel district and members of the Public Service Board to establish, charge and collect rates for services rendered by district sufficient to provide for all operational and maintenance expenses, to pay, when due, principal and interest of revenue bonds issued by district, and to file tariffs reflecting such charges with Public Service Commission. Code, 16–13A–1 et seq., 16–13A–9, 16–13A–10, 16–13A–13, 16–13A–17. State ex rel. Allstate Ins. Co. v. Union Public Service Dist., 1966, 151 S.E.2d 102, 151 W.Va. 207. Mandamus ⇐ 110

§ 16–13A–11. Accounts; audit

The general manager, under direction of the board, shall install and maintain a proper system of accounts, in accordance with all rules, regulations or orders pertaining thereto by the public service commission, showing receipts from operation and application of the same, and the board shall at least once a year cause such accounts to be properly audited: Provided, That such audit may be any audit by an independent public accountant completed within one year of the time required for the submission of the report: Provided, however, That if the district is required to have its books, records and accounts audited annually by an independent certified public accountant as a result of any covenant in any board resolution or bond instrument, a copy of such audit may be submitted in satisfaction of the requirements of this section, and is hereby found, declared and determined to be sufficient to satisfy the requirements of article nine, chapter six of this code pertaining to the annual audit report by the state tax commission. A copy of the audit shall be forwarded within thirty days of submission to the county commission and to the public service commission.

The treasurer of each public service district shall keep and preserve all financial records of the public service district for ten years, and shall at all times have such records readily available for public inspection. At the end of his term of office, the treasurer of each public service district shall promptly deliver all financial records of the public service district to his successor in office. Any treasurer of a public service district who knowingly or willfully violates any provision of this section is guilty of a misdemeanor, and shall be fined not less than one hundred dollars nor more than five hundred dollars or imprisoned in the county jail not more than ten days, or both.

Acts 1953, c. 147; Acts 1981, c. 124; Acts 1986, c. 81.

§ 16–13A–12. Disbursement of district funds

No money may be paid out by a district except upon an order signed by the chairman and secretary of such board, or such other person or persons authorized by the chairman or secretary, as the case may be, to sign such orders on their behalf. Each order for the payment of money shall specify the purposes for which the amount thereof is to be paid, with sufficient clearness to indicate the purpose for which the order is issued, and there shall be endorsed thereon the name of the particular fund out of which it is payable and it shall be payable from the fund constituted for such purpose, and no other. All such orders shall be reflected in the minutes of the next meeting of the board.

Acts 1953, c. 147; Acts 1981, c. 124.

Library References

Key Numbers

Counties ⟹158.
Municipal Corporations ⟹883.
Westlaw Key Number Searches: 104k158; 268k883.

Encyclopedias

C.J.S. Counties § 198.
C.J.S. Municipal Corporations §§ 1626, 1635.

§ 16–13A–13. Revenue bonds

For constructing or acquiring any public service properties for the authorized purposes of the district, or necessary or incidental thereto, and for constructing improvements and extensions thereto, and also for reimbursing or paying the costs and expenses of creating the district, the board of any such district is hereby authorized to borrow money from time to time and in evidence thereof issue the bonds of such district, payable solely from the revenues derived from the operation of the public service properties under control of the district. Such bonds may be issued in one or more series, may bear such date or dates, may mature at such time or times not exceeding forty years from their respective dates, may bear interest at such rate or rates not exceeding eighteen percent per annum payable at such times, may be in such form, may carry such registration privileges, may be executed in such manner, may be payable at such place or places, may be subject to such terms of redemption with or without premium, may be declared or become due before maturity date thereof, may be authenticated in any manner, and upon compliance with such conditions, and may contain such terms and covenants as may be provided by resolution or resolutions of the board. Notwithstanding the form or tenor thereof, and in the absence of any express recital on the face thereof, that the bond is nonnegotiable, all such bonds shall be, and shall be treated as, negotiable instruments for all purposes. Bonds bearing the signatures of officers in office on the date of the signing thereof shall be valid and binding for all purposes notwithstanding that before the delivery thereof any or all of the persons whose signatures appear thereon shall have ceased to be such officers. Notwithstanding the requirements or provisions of any other law, any such bonds may be negotiated or sold in such manner and at such time or times as is found by the board to be most advantageous, and all such bonds may be sold at such price that the interest cost of the proceeds therefrom does not exceed

nineteen percent per annum, based on the average maturity of such bonds and computed according to standard tables of bond values. Any resolution or resolutions providing for the issuance of such bonds may contain such covenants and restrictions upon the issuance of additional bonds thereafter as may be deemed necessary or advisable for the assurance of the payment of the bonds thereby authorized.

Acts 1953, c. 147; Acts 1970, c. 11; Acts 1970, c. 12; Acts 1970, 1st Ex. Sess., c. 2; Acts 1980, c. 33; Acts 1981, 1st Ex. Sess., c. 2; Acts 1989, c. 174.

Library References

Key Numbers

Counties ⟹174.
Municipal Corporations ⟹911.
Westlaw Key Number Searches: 104k174; 268k911.

Encyclopedias

C.J.S. Counties § 220.
C.J.S. Municipal Corporations § 1649.

Notes of Decisions

In general 1

1. In general

Corporations holding sewer revenue bonds of public service district, a public corporation and political subdivision of state, had right by mandamus to enforce and compel district and members of the Public Service Board to establish, charge and collect rates for services rendered by district sufficient to provide for all operational and maintenance expenses, to pay, when due, principal and interest of revenue bonds issued by district, and to file tariffs reflecting such charges with Public Service Commission. Code, 16–13A–1 et seq., 16–13A–9, 16–13A–10, 16–13A–13, 16–13A–17. State ex rel. Allstate Ins. Co. v. Union Public Service Dist., 1966, 151 S.E.2d 102, 151 W.Va. 207. Mandamus ⟹110.

§ 16–13A–14. Items included in cost of properties

The cost of any public service properties acquired under the provisions of this article shall be deemed to include the cost of the acquisition or construction thereof, the cost of all property rights, easements and franchises deemed necessary or convenient therefor and for the improvements and extensions thereto; interest upon bonds prior to and during construction or acquisition and for six months after completion of construction or of acquisition of the improvements and extensions; engineering, fiscal agents and legal expenses; expenses for estimates of cost and of revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, and such other expenses as may be necessary or incident to the financing herein authorized, and the construction or acquisition of the properties and the placing of same in operation, and the performance of the things herein required or permitted, in connection with any thereof.

Acts 1953, c. 147.

§ 16–13A–15. Bonds may be secured by trust indenture

In the discretion and at the option of the board such bonds may be secured by a trust indenture by and between the district and a corporate trustee, which may be a trust company or bank having powers of a trust company within or without the State of West Virginia, but no such trust indenture shall convey,

mortgage or create any lien upon the public service properties or any part thereof. The resolution authorizing the bonds and fixing the details thereof may provide that such trust indenture may contain such provisions for protecting and enforcing the rights and remedies of bondholders as may be reasonable and proper, not in violation of law, including covenants setting forth the duties of the district and the members of its board and officers in relation to the construction or acquisition of public service properties and the improvement, extension, operation, repair, maintenance and insurance thereof, and the custody, safeguarding and application of all moneys, and may provide that all or any part of the construction work shall be contracted for, constructed and paid for, under the supervision and approval of consulting engineers employed or designated by the board and satisfactory to the original bond purchasers, their successors, assignees or nominees, who may be given the right to require the security given by contractors and by any depository of the proceeds of bonds or revenues of the public service properties or other money pertaining thereto be satisfactory to such purchasers, their successors, assignees or nominees. Such indenture may set forth the rights and remedies of the bondholders and such trustee.

Acts 1953, c. 147.

Library References

Key Numbers
Counties ⟹183.
Municipal Corporations ⟹950(15).
Westlaw Key Number Searches: 104k183; 268k950(15).

Encyclopedias
C.J.S. Counties § 222.
C.J.S. Municipal Corporations §§ 1708 to 1709.

§ 16–13A–16. Sinking fund for revenue bonds

At or before the time of the issuance of any bonds under this article the board shall by resolution or in the trust indenture provide for the creation of a sinking fund and for monthly payments into such fund from the revenues of the public service properties operated by the district such sums in excess of the cost of maintenance and operation of such properties as will be sufficient to pay the accruing interest and retire the bonds at or before the time each will respectively become due and to establish and maintain reserves therefor. All sums which are or should be, in accordance with such provisions, paid into such sinking fund shall be used solely for payment of interest and for the retirement of such bonds at or prior to maturity as may be provided or required by such resolutions.

Acts 1953, c. 147.

Library References

Key Numbers
Counties ⟹186.5.
Municipal Corporations ⟹951.
Westlaw Key Number Searches: 104k186.5; 268k951.

Encyclopedias
C.J.S. Counties § 226.
C.J.S. Municipal Corporations §§ 1704 to 1705.

§ 16–13A–17. Collection, etc., of revenues and enforcement of covenants; default; suit, etc., by bondholder or trustee to compel performance of duties; appointment and powers of receiver

The board of any such district shall have power to insert enforceable provisions in any resolution authorizing the issuance of bonds relating to the collection, custody and application of revenues of the district from the operation of the public service properties under its control and to the enforcement of the covenants and undertakings of the district. In the event there shall be default in the sinking fund provisions aforesaid or in the payment of the principal or interest on any of such bonds or, in the event the district or its board or any of its officers, agents or employees, shall fail or refuse to comply with the provisions of this article, or shall default in any covenant or agreement made with respect to the issuance of such bonds or offered as security therefor, then any holder or holders of such bonds and any such trustee under the trust indenture, if there be one, shall have the right by suit, action, mandamus or other proceeding instituted in the circuit court for the county or any of the counties wherein the district extends, or in any other court of competent jurisdiction, to enforce and compel performance of all duties required by this article or undertaken by the district in connection with the issuance of such bonds, and upon application of any such holder or holders, or such trustee, such court shall, upon proof of such defaults, appoint a receiver for the affairs of the district and its properties, which receiver so appointed shall forthwith directly, or by his agents and attorneys, enter into and upon and take possession of the affairs of the district and each and every part thereof, and hold, use, operate, manage and control the same, and in the name of the district exercise all of the rights and powers of such district as shall be deemed expedient, and such receiver shall have power and authority to collect and receive all revenues and apply same in such manner as the court shall direct. Whenever the default causing the appointment of such receiver shall have been cleared and fully discharged and all other defaults shall have been cured, the court may in its discretion and after such notice and hearing as it deems reasonable and proper direct the receiver to surrender possession of the affairs of the district to its board. Such receiver so appointed shall have no power to sell, assign, mortgage, or otherwise dispose of any assets of the district except as hereinbefore provided.

Acts 1953, c. 147.

Library References

Key Numbers

Counties ⟹188.
Municipal Corporations ⟹937, 955.
Westlaw Key Number Searches: 104k188; 268k937; 268k955.

Encyclopedias

C.J.S. Counties § 226.
C.J.S. Municipal Corporations §§ 1707, 1711.

Notes of Decisions

In general 1

1. In general

Corporations holding sewer revenue bonds of public service district, a public corporation and political subdivision of state, had right by mandamus to enforce and compel district and members of the Public Service Board to establish, charge and collect rates for services rendered by district sufficient to provide for all operational and maintenance expenses, to pay, when due, principal and interest of revenue bonds issued by district, and to file tariffs reflecting such charges with Public Service Commission. Code, 16–13A–1 et seq., 16–13A–9, 16–13A–10, 16–13A–13, 16–13A–17. State ex rel. Allstate Ins. Co. v. Union Public Service Dist., 1966, 151 S.E.2d 102, 151 W.Va. 207. Mandamus ⟹ 110

§ 16–13A–18. Operating contracts

The board may enter into contracts or agreements with any persons, firms or corporations for the operation and management of the public service properties within the district, or any part thereof, for such period of time and under such terms and conditions as shall be agreed upon between the board and such persons, firms or corporations. The board shall have power to provide in the resolution authorizing the issuance of bonds, or in any trust indenture securing such bonds, that such contracts or agreements shall be valid and binding upon the district as long as any of said bonds, or interest thereon, are outstanding and unpaid.

Acts 1953, c. 147.

Library References

Key Numbers

Counties ⟹114.
Municipal Corporations ⟹328.
Westlaw Key Number Searches: 104k114; 268k328.

Encyclopedias

C.J.S. Counties § 161.
C.J.S. Municipal Corporations §§ 1027 to 1029.

§ 16–13A–18a. Sale, lease or rental of water, sewer, stormwater or gas system by district; distribution of proceeds

In any case where a public service district owns a water, sewer, stormwater or gas system, and a majority of not less than sixty percent of the members of the public service board thereof deem it for the best interests of the district to sell, lease or rent such water, sewer, stormwater or gas system to any municipality or privately-owned water, sewer, stormwater or gas system, or to any water, sewer, stormwater or gas system owned by an adjacent public service district, the board may so sell, lease or rent such water, sewer, stormwater or gas system upon such terms and conditions as said board, in its discretion, considers in the best interests of the district: Provided, That such sale, leasing or rental may be made only upon: (1) The publication of notice of a hearing before the board of the public service district, as a Class I legal advertisement in compliance with the provisions of article three, chapter fifty-nine of this code, in a newspaper published and of general circulation in the county or counties wherein the district is located, such publication to be made not earlier than twenty days and not later than seven days prior to the hearing; (2) approval by the county commission or commissions of the county or counties in

which the district operates; and (3) approval by the public service commission of West Virginia.

In the event of any such sale, the proceeds thereof, if any, remaining after payment of all outstanding bonds and other obligations of the district, shall be ratably distributed to any persons who have made contributions in aid of construction of such water, sewer, stormwater or gas system, such distribution not to exceed the actual amount of any such contribution, without interest, and any balance of funds thereafter remaining shall be paid to the county commission of the county in which the major portion of such water, sewer, stormwater or gas system is located to be placed in the general funds of such county commission.

Acts 1963, c. 75; Acts 1981, c. 124; Acts 1986, c. 81; Acts 1997, c. 160, eff. 90 days after April 10, 1997; Acts 2002, c. 272, eff. 90 days after March 9, 2002.

Library References

Key Numbers
Counties ⚷110.
Municipal Corporations ⚷225.
Westlaw Key Number Searches: 104k110; 268k225.

Encyclopedias
C.J.S. Counties §§ 148 to 149.
C.J.S. Municipal Corporations § 882.

§ 16–13A–19. Statutory mortgage lien created; foreclosure thereof

There shall be and is hereby created a statutory mortgage lien upon such public service properties of the district, which shall exist in favor of the holders of bonds hereby authorized to be issued, and each of them, and the coupons attached to said bonds, and such public service properties shall remain subject to such statutory mortgage lien until payment in full of all principal of and interest on such bonds. Any holder of such bonds, of any coupons attached thereto, may, either at law or in equity, enforce said statutory mortgage lien conferred hereby and upon default in the payment of the principal of or interest on said bonds, may foreclose such statutory mortgage lien in the manner now provided by the laws of the State of West Virginia for the foreclosure of mortgages on real property.

Acts 1953, c. 147.

Library References

Key Numbers
Counties ⚷183.
Municipal Corporations ⚷950(15).
Westlaw Key Number Searches: 104k183; 268k950(15).

Encyclopedias
C.J.S. Counties § 222.
C.J.S. Municipal Corporations §§ 1708 to 1709.

Notes of Decisions

In general 1

1. In general

Statute authorizing creation of public service districts confers upon public service board authority to create mortgage lien on the property of public service district, and action of legislature conferring such authority was within the legislature's power. Acts 1953, c. 147; Const. art. 10, § 8. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Municipal Corporations ⚷ 222

§ 16–13A–20. Refunding revenue bonds

The board of any district having issued bonds under the provisions of this article is hereby empowered thereafter by resolution to issue refunding bonds of such district for the purpose of retiring or refinancing such outstanding bonds, together with any unpaid interest thereon and redemption premium thereunto appertaining and all of the provisions of this article relating to the issuance, security and payment of bonds shall be applicable to such refunding bonds, subject, however, to the provisions of the proceedings which authorized the issuance of the bonds to be so refunded.

Acts 1953, c. 147.

Library References

Key Numbers
Counties ⚷175.
Municipal Corporations ⚷913.
Westlaw Key Number Searches: 104k175; 268k913.

Encyclopedias
C.J.S. Counties § 218.
C.J.S. Municipal Corporations §§ 1651, 1653.

§ 16–13A–21. Complete authority of article; liberal construction; district to be public instrumentality; tax exemption

This article is full and complete authority for the creation of public service districts and for carrying out the powers and duties of same as herein provided. The provisions of this article shall be liberally construed to accomplish its purpose and no procedure or proceedings, notices, consents or approvals, are required in connection therewith except as may be prescribed by this article: Provided, That all functions, powers and duties of the public service commission of West Virginia, the bureau of public health, the division of environmental protection and the environmental quality board remain unaffected by this article. Every district organized, consolidated, merged or expanded under this article is a public instrumentality created and functioning in the interest and for the benefit of the public, and its property and income and any bonds issued by it are exempt from taxation by the state of West Virginia, and the other taxing bodies of the state: Provided, however, That the board of any such district may use and apply any of its available revenues and income for the payment of what such board determines to be tax or license fee equivalents to any local taxing body and in any proceedings for the issuance of bonds of such district may reserve the right to annually pay a fixed or computable sum to such taxing bodies as such tax or license fee equivalent.

Acts 1953, c. 147; Acts 1986, c. 81; Acts 1994, c. 61.

Library References

Key Numbers
Counties ⚷18.
Municipal Corporations ⚷5 to 6.
Westlaw Key Number Searches: 104k18; 268k5 to 268k6.

Encyclopedias
C.J.S. Counties §§ 31 to 33.
C.J.S. Municipal Corporations § 12.

Notes of Decisions

In general 2
Validity 1

1. Validity

Statute authorizing creation of public service districts violates no provision of State Constitution, nor is it violative of Fourteenth Amendment to United States Constitution. Act 1953, c. 147; U.S.C.A.Const. Amend. 14. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Constitutional Law ⟹ 278(2)

Statute authorizing creation of public service districts does not, in so far as it requires County Court to define territory to be included in public service district and appoint a board to govern same in first instance, involve unconstitutional delegation of judicial functions to the County Court, Acts 1953, c. 147; Const. art. 8, § 24. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Constitutional Law ⟹ 56

2. In general

Statute authorizing creation of public service districts confers upon public service board authority to create mortgage lien on the property of public service district, and action of legislature conferring such authority was within the legislature's power. Acts 1953, c. 147; Const. art. 10, § 8. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Municipal Corporations ⟹ 222

Title of act authorizing creation of public service districts in connection with acquisition, construction, maintenance, operation, improvement and extension of properties supplying water and sewerage services, clearly defines object and purposes of act and powers of governing board, and is sufficient to meet constitutional requirements. Acts 1953, c. 147; Const. art. 6, § 30. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Statutes ⟹ 123(3)

§ 16–13A–22. Validation of prior acts and proceedings of county courts for creation of districts, inclusion of additional territory, and appointment of members of district boards

All acts and proceedings taken by any county court of this State purporting to have been carried out under the provisions of this article which have been taken, prior to the date this section takes effect, for the purpose of creating public service districts or for the purpose of subsequent inclusion of additional territory to existing public service districts, after notice published by any such county court having territorial jurisdiction thereof of its intention to include such additional territory after hearing thereon, are hereby validated, ratified, approved and confirmed notwithstanding any other lack of power (other than constitutional) of any such county court to create such public service districts or to include additional territory to existing public service districts or irregularities (other than constitutional) in such proceedings, relating to the appointment and qualification of more than three members to the board of any such public service district or the subsequent appointment of successors of any or all of such members, notwithstanding that no city, incorporated town or other municipal corporation having a population in excess of three thousand is included within the district, and the appointment and qualification of such members, and further including any irregularities in the petition for the creation of any public service district, irregularities in the description of the area embraced by such district, and irregularities in the notice and publication of notice for the hearing creating such district, prior to the date this section takes effect, is hereby validated, ratified, approved and confirmed; and, further, in such cases where more than three members of the board of such districts have been so appointed prior to the date this section takes effect then such county court shall appoint, and they are hereby authorized and empowered to appoint, successors to such members in the manner as otherwise provided by this article.

Acts 1958, c. 14; Acts 1960, c. 19.

W.Va. Const., art. IX, § 9, redesignated the office of the county court as county commission.

Library References

Key Numbers
Counties ⟹18.
Municipal Corporations ⟹5 to 7.
Westlaw Key Number Searches: 104k18; 268k5 to 268k7.

Encyclopedias
C.J.S. Counties §§ 31 to 33.
C.J.S. Municipal Corporations §§ 12 to 13.

§ 16–13A–23. Validation of acts and proceedings of public service boards

All acts and proceedings taken by any public service board the members of which were appointed, prior to the date this section takes effect, by any county court of this State having territorial jurisdiction thereof, are hereby validated, ratified, approved and confirmed, as to defects and irregularities which may otherwise exist on account of their appointment and qualification: Provided, however, That nothing herein contained shall be construed to excuse a criminal act.

Acts 1958, c. 14; Acts 1960, c. 19; Acts 1965, c. 134.

W.Va. Const., art. IX, § 9, redesignated the office of the county court as county commission.

Library References

Key Numbers
Counties ⟹47.
Municipal Corporations ⟹166.
Westlaw Key Number Searches: 104k47; 268k166.

Encyclopedias
C.J.S. Counties §§ 70 to 73.
C.J.S. Municipal Corporations § 369.

§ 16–13A–24. Acceptance of loans, grants or temporary advances

Any public service district created pursuant to the provisions of this article is authorized and empowered to accept loans or grants and procure loans or temporary advances evidenced by notes or other negotiable instruments issued in the manner, and subject to the privileges and limitations, set forth with respect to bonds authorized to be issued under the provisions of this article, for the purpose of paying part or all of the cost of construction or acquisition of water systems, sewage systems, stormwater systems or stormwater management systems or gas facilities, or all of these, and the other purposes herein authorized, from any authorized agency or from the United States of America or any federal or public agency or department of the United States or any private agency, corporation or individual, which loans or temporary advances, including the interest thereon, may be repaid out of the proceeds of the bonds authorized to be issued under the provisions of this article, the revenues of the said water system, sewage system, stormwater system or associated stormwater management system or gas facilities, or grants to the public service district from any authorized agency or from the United States of America or any federal or public agency or department of the United States or from any private agency, corporation or individual or from any combination of such sources of

payment, and to enter into the necessary contracts and agreements to carry out the purposes hereof with any authorized agency or the United States of America or any federal or public agency or department of the United States, or with any private agency, corporation or individual. Any other provisions of this article to the contrary notwithstanding, interest on any such loans or temporary advances may be paid from the proceeds thereof until the maturity of such notes or other negotiable instrument.

Acts 1958, c. 14; Acts 1980, c. 60; Acts 1981, c. 124; Acts 1986, c. 118; Acts 2002, c. 272, eff. 90 days after March 9, 2002.

Library References

Key Numbers

Counties ⟹149.
Municipal Corporations ⟹864(3).
Westlaw Key Number Searches: 104k149; 268k864(3).

Encyclopedias

C.J.S. Counties §§ 185, 187.
C.J.S. Municipal Corporations § 1589.

Notes of Decisions

In general 1

1. In general

The borrowing by PSD's of money from counties and/or municipalities, as evidenced by a note, is permissible borrowing under this section. Matko, Op.Atty.Gen., May 6, 1988.

§ 16–13A–25. Borrowing and bond issuance; procedure

Notwithstanding any other provisions of this article to the contrary, a public service district shall not borrow money, enter into contracts for the provision of engineering, design or feasibility studies, issue or contract to issue revenue bonds or exercise any of the powers conferred by the provisions of section thirteen, twenty or twenty-four of this article, without the prior consent and approval of the public service commission. The public service commission may waive the provision of prior consent and approval for entering into contracts for engineering, design or feasibility studies pursuant to this section for good cause shown which is evidenced by the public service district filing a request for waiver of this section stated in a letter directed to the commission with a brief description of the project, evidence of compliance with chapter five-g of this code, and further explanation of ability to evaluate their own engineering contract, including, but not limited to: (1) Experience with the same engineering firm in the past two years requiring engineering services; or (2) completion of a construction project within the past two years requiring engineering services. The district shall also forward an executed copy of the engineering contract to the commission after receiving approval of the waiver. Unless the properties to be constructed or acquired represent ordinary extensions or repairs of existing systems in the usual course of business, a public service district must first obtain a certificate of public convenience and necessity from the public service commission in accordance with the provisions of chapter twenty-four of this code, when a public service district is seeking to acquire or construct public service property.

Thirty days prior to making formal application for the certificate, the public service district shall prefile with the public service commission its plans and supporting information for the project and shall publish a Class II legal advertisement in a newspaper or newspapers of general circulation in each city, incorporated town or municipal corporation if available in the public service district, which legal advertisement shall state:

(a) The amount of money to be borrowed, or the amount of revenue bonds to be issued: Provided, That if the amount is an estimate, the notice may be stated in terms of an amount "not to exceed" a specific amount;

(b) The interest rate and terms of the loan or bonds: Provided, That if the interest rate is an estimate, the notice may be stated in terms of a rate "not to exceed" a specific rate;

(c) The public service properties to be acquired or constructed, and the cost of the public service properties;

(d) The anticipated rates which will be charged by the public service district: Provided, That if the rates are an estimate, the notice may be stated in terms of rates "not to exceed" a specific rate; and

(e) The date that the formal application for a certificate of public convenience and necessity is to be filed with the public service commission. The public service commission may grant its consent and approval for the certificate, or any other request for approval under this section, subject to such terms and conditions as may be necessary for the protection of the public interest, pursuant to the provisions of chapter twenty-four of this code, or may withhold such consent and approval for the protection of the public interest.

In the event of disapproval, the reasons for the disapproval shall be assigned in writing by the commission.

Acts 1969, 1st Ex. Sess., c. 6; Acts 1981, c. 124; Acts 1986, c. 81; Acts 1996, c. 213, eff. 90 days after March 9, 1996; Acts 1997, c. 159, eff. 90 days after April 12, 1997.

Library References

Key Numbers

Counties ⟹114, 153, 176.
Municipal Corporations ⟹328, 869, 917.
Public Utilities ⟹145.
Westlaw Key Number Searches: 104k114; 104k153; 104k176; 268k328; 268k869; 268k917; 317Ak145.

Encyclopedias

C.J.S. Counties §§ 161, 186, 221.
C.J.S. Municipal Corporations §§ 1027 to 1029, 1609, 1658 to 1660.
C.J.S. Public Utilities §§ 18, 65 to 67.

Notes of Decisions

In general 1
Certificate of public convenience and necessity 2

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1. In general

Proposed sewage treatment project complied with buffer zone requirements where all parties acknowledged that distance of proposed sewage lagoons from property owners' home was further than minimum buffer-zone requirement of 300 feet; Public Service Commission relied on ample evidence in record to support claim that proposed location was both cost-effective and environmentally sound. Code, 16–13A–25, 24–2–11, 24–2–11(a). Sexton v. Public Service Com'n, 1992, 423 S.E.2d 914, 188 W.Va. 305. Municipal Corporations ⟹ 708

2. Certificate of public convenience and necessity

Public Service district must obtain certificate of public convenience and necessity before it

can acquire or construct public service property. Code, 16–13A–25. Sexton v. Public Service Com'n, 1992, 423 S.E.2d 914, 188 W.Va. 305.
Public Utilities ⟹ 113

ARTICLE 15A

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

Section

31-15A-1. Short title.
31-15A-2. Definitions.
31-15A-3. West Virginia infrastructure and jobs development council continued; members of council; staff of council.
31-15A-4. Development of guidelines and preliminary application for funding assistance.
31-15A-5. Requirements for project funding assistance; review of project preliminary applications by council.
31-15A-6. Powers, duties and responsibilities of the council generally; comprehensive assessment.
31-15A-7. Current and prospective planning; roads and highways; report to division of highways.
31-15A-8. Exemption of certain emergency projects from certificate of public convenience and necessity requirements; review of certain emergency projects by public service commission; and exemption for North Fork Hughes River watershed project.
31-15A-9. Infrastructure fund; deposits in fund; disbursements to provide loans, loan guarantees, grants and other assistance; loans, loan guarantees, grants and other assistance shall be subject to assistance agreements.
31-15A-10. Recommendations by council for expenditures of funds by loan, grant or for engineering assistance.
31-15A-11. Reservation of funds for projects and infrastructure projects.
31-15A-12. Additional powers of water development authority.
31-15A-13. Prohibition on funds inuring to the benefit of or being distributable to water development board; transactions between the water development board and officers having certain interests in such transactions.
31-15A-14. Termination or dissolution.
31-15A-15. Projects not to be considered public improvements; competitive bid requirements.
31-15A-16. Dedication of severance tax proceeds.
31-15A-17. Water development authority empowered to issue infrastructure revenue bonds and refunding bonds; creation of infrastructure revenue debt service fund; funding of infrastructure revenue debt service fund; requirements and manner of such issuance.
31-15A-18. Trustee for holders of infrastructure revenue bonds; contents of trust agreement.
31-15A-19. Legal remedies of infrastructure revenue bondholders or noteholders and trustees.
31-15A-20. Infrastructure revenue bonds lawful investments.
31-15A-21. Purchase and cancellation of infrastructure revenue bonds.
31-15A-22. Refunding revenue bonds.
31-15A-23. Infrastructure revenue bonds not debt of state, county, municipality or any political subdivision.
31-15A-24. Infrastructure revenue bonds exempt from taxation.

§ 31-15A-1. Short title

This article shall be known and may be cited as the "West Virginia Infrastructure and Jobs Development Act."

Acts 1994, 1st Ex. Sess., c. 26.

§ 31–15A–2. Definitions

For purposes of this article:

(a) "Bond" or "infrastructure revenue bond" means a revenue bond, note, or other obligation issued by the water development authority pursuant to this article, including bonds to refund such bonds and notes to renew such notes, and notes in anticipation of and payable from the proceeds of such bonds.

(b) "Code" means the code of West Virginia, one thousand nine hundred thirty-one, as amended;

(c) "Cost" means, as applied to any project to be financed, in whole or in part, with infrastructure revenues or funds otherwise provided pursuant to this article, the cost of planning, acquisition, improvement and construction of the project; the cost of preliminary design and analysis, surveys, borings; the cost of environmental, financial, market and engineering feasibility studies, assessments, applications, approvals, submissions or clearances; the cost of preparation of plans and specifications and other engineering services; the cost of acquisition of all land, rights-of-way, property rights, easements, franchise rights and any other interests required for the acquisition, repair, improvement or construction of the project; the cost of demolishing or removing any buildings or structures on land so acquired, including the cost of acquiring any lands to which buildings or structures may be moved; the cost of excavation, grading, shaping or treatment of earth, demolishing or removing any buildings or structures; the cost of constructing any buildings or other improvements; the cost of all pumps, tanks, vehicles, apparatus and other machinery, furnishings and equipment; loan or origination fees and all finance charges and interest incurred prior to and during the construction and for no more than six months after completion of construction; the cost of all legal services and expenses; the cost of all plans, specifications, surveys and estimates of cost; all working capital and other expenses necessary or incident to determining the feasibility or practicability of acquiring, repairing, improving or constructing any project; the cost of placing any project in operation; and all other costs and expenses of any kind or nature incurred or to be incurred by the project sponsor developing the project that are reasonable and necessary for carrying out all works and undertakings necessary or incident to the accomplishment of any project: Provided, That costs shall not include any amounts related to the ongoing operations of the owner or operator, depreciation thereof or any other cost which the council or the water development authority has not determined to be consistent with the purposes and objectives of this article;

(d) "Council" means the West Virginia infrastructure and jobs development council created in section three of this article;

(e) "Division of environmental protection" means the division of environmental protection established under article one, chapter twenty-two of this code, or any successor to all or any substantial part of its powers and duties;

(f) "Division of health" means the division of health created in article one, chapter sixteen of this code, or any successor to all or any substantial part of its powers and duties;

(g) "Economic development authority" means the economic development authority established under article fifteen, chapter thirty-one of the code, or any successor to all or any substantial part of its powers and duties;

(h) "Emergency project" means a project which the council has determined: (1) Is essential to the immediate economic development of an area of the state; and

(2) will not likely be developed in that area if construction of the project is not commenced immediately;

(i) "Governmental agency" means any county; municipality; watershed improvement district; assessment district; soil conservation district; sanitary district; public service district; drainage district; regional governmental authority and any other state governmental agency, entity, political subdivision or public corporation or agency authorized to acquire, construct or operate water or wastewater facilities or infrastructure projects;

(j) "Housing development fund" means the West Virginia housing development fund established under article eighteen of this chapter, or any successor to all or any substantial part of its powers and duties;

(k) "Infrastructure fund" means the West Virginia infrastructure fund created and established in section nine of this article;

(*l*) "infrastructure project" means a project in the state which the council determines is likely to foster and enhance economic growth and development in the area of the state in which the project is developed, for commercial, industrial, community improvement or preservation or other proper purposes, including, without limitation, tourism and recreational housing, land, air or water transportation facilities and bridges, industrial or commercial projects and facilities, mail order, warehouses, wholesale and retail sales facilities and other real and personal properties, including facilities owned or leased by this state or any other project sponsor, and includes, without limitation:

(1) the process of acquiring, holding, operating, planning, financing, demolition, construction, improving, expanding, renovation, leasing or otherwise disposing of the project or any part thereof or interest therein; and

(2) preparing land for construction and making, installing or constructing improvements on the land, including water or wastewater facilities or any part thereof, steam, gas, telephone and telecommunications and electric lines and installations, roads, bridges, railroad spurs, buildings, docking and shipping facilities, curbs, gutters, sidewalks, and drainage and flood control facilities, whether on or off the site;

(m) "Infrastructure revenue" means all amounts appropriated by the Legislature; all amounts deposited into the infrastructure fund; any amounts received, directly or indirectly, from any source for the use of all or any part of any project completed pursuant to this article; and any other amounts received by the state treasurer, council or the water development authority for the purposes of this article;

(n) "Need of the project sponsors" means there is a public need for a project. The council shall construe a population increase evidenced by the last two decennial censuses in a county in which a project is proposed, as a factor supporting the conclusion that a need exists for projects in that county.

(o) "Project" means any wastewater facility, water facility project or any combination thereof, constructed or operated or to be constructed or operated by a project sponsor;

(p) "Project sponsor" means any governmental agency or person, or any combination thereof, including, but not limited to, any public utility, which intends to plan, acquire, construct, improve or otherwise develop a project;

(q) "Public service commission" means the public service commission of West Virginia created and established under section three, article one, chapter twenty-four of this code, or any successor to all or any substantial part of its powers and duties;

(r) "Person" means any individual, corporation, partnership, association, limited liability company or any other form of business organization;

(s) "Public utility" means any person or persons, or association of persons, however associated, whether incorporated or not, including, without limitation, any governmental agency, operating a wastewater facility or water facility as a public service, which is regulated by the public service commission as a public utility under chapter twenty-four of this code or which is required to file its tariff with the public service commission;

(t) "State development office" means the West Virginia development office established under article two, chapter five-b of this code, or any successor to all or any substantial part of its powers and duties;

(u) "State infrastructure agency" means the division of health, division of environmental protection, housing development fund, public service commission, state development office, water development authority, economic development authority and any other state agency, division, body, authority, commission, instrumentality or entity which now or in the future receives applications for the funding of, and provides funding or technical assistance to, the planning, acquisition, construction or improvement of a project;

(v) "Waste water facility" means all facilities, land and equipment used for or in connection with treating, neutralizing, disposing of, stabilizing, cooling, segregating or holding waste water, including, without limitation, facilities for the treatment and disposal of sewage, industrial wastes or other wastes, wastewater, and the residue thereof; facilities for the temporary or permanent impoundment of wastewater, both surface and underground; and sanitary sewers or other collection systems, whether on the surface or underground, designed to transport wastewater together with the equipment and furnishings therefor or thereof and their appurtenances and systems, whether on the surface or underground including force mains and pumping facilities therefor;

(w) "Water development authority" means the West Virginia water development authority continued pursuant to the provisions of article one, chapter

twenty-two-c of this code, or any successor to all or any substantial part of its powers and duties; and

(x) "Water facility" means all facilities, land and equipment used for or in connection with the collection and/or storage of water, both surface and underground, transportation of water, storage of water, treatment of water and distribution of water all for the purpose of providing potable, sanitary water suitable for human consumption and use.

Acts 1994, 1st Ex. Sess., c. 26; Acts 1998, c. 180, eff. 90 days after March 14, 1998.

§ 31-15A-3. West Virginia infrastructure and jobs development council continued; members of council; staff of council

(a) The West Virginia infrastructure and jobs development council is hereby continued. The council is a governmental instrumentality of the state. The exercise by the council of the powers conferred by this article and the carrying out of its purpose and duties shall be considered and held to be, and are hereby determined to be, essential governmental functions and for a public purpose.

(b) The council shall consist of eleven members, including the executive director of the housing development fund or his or her designee, the director of the division of environmental protection or his or her designee, the director of the economic development authority or his or her designee, the director of the water development authority or his or her designee, the executive director of the state development office or his or her designee, the director of the division of health or his or her designee, the chairman of the public service commission or his or her designee, and four members representing the general public: Provided, That there shall be at least one member representing the general public from each congressional district: Provided, however, That after the expiration of the term of office of the members first appointed as representatives of the general public, no more than one member representing the general public may be a resident of the same county. The governor shall appoint the public members of the council who shall serve three-year staggered terms. The commissioner of the division of highways, the executive director of the state rail authority, two members of the West Virginia Senate, two members of the West Virginia House of Delegates, one representative of the board of directors of the state college system and one representative of the board of trustees of the university of West Virginia shall serve as advisory members of the council. The governor shall appoint the legislative members of the council: Provided, further That no more than three of the legislative members may be of the same political party. The governor shall appoint the representatives of the governing boards from a list of three names submitted by each governing board. The advisory members shall be ex officio, nonvoting members of the council.

(c) The council shall annually elect one of its members as chairman, and shall appoint a secretary, who need not be a member of the council and who shall keep records of its proceedings. Six members of the council shall constitute a quorum and the affirmative vote of at least the majority of those members present shall be necessary for any action taken by vote of the council.

No vacancy in the membership of the council impairs the rights of a quorum by such vote to exercise all the rights and perform all the duties of the council.

(d) No member of the council who serves by virtue of his or her office shall receive any compensation or reimbursement of expenses for serving as a member. The members of the council who represent the general public shall receive reimbursement for actual expenses incurred in the service of the council.

(e) The council shall meet at least monthly to review projects and infrastructure projects requesting funding assistance and otherwise to conduct its business, and shall meet more frequently if necessary. Notwithstanding any other provision of this article to the contrary, the economic development authority shall not be subject to council review with regard to any action taken pursuant to the authority established in article fifteen, chapter thirty-one of this code nor shall the governor's civil contingent fund be subject to council review with regard to projects or infrastructure projects funded through the governor's civil contingent fund.

(f) The water development authority shall provide office space for the council, and each governmental agency represented on the council shall provide staff support for the council in the manner determined by the council from time to time.

(g) The council shall invite to all its meetings one or more representatives of the United States department of agriculture, rural economic community development, the United States economic development agency and the United States army corps of engineers or any successors thereto. The council shall also invite such other appropriate parties as may be necessary to effectuate the purposes of this article.

Acts 1994, 1st Ex. Sess., c. 26; Acts 1995, c. 130, eff. March 10, 1995.

§ 31–15A–4. Development of guidelines and preliminary application for funding assistance

(a) To implement and carry out the intent of this article, the council shall promulgate legislative rules in accordance with article three, chapter twenty-nine-a of this code to develop comprehensive, uniform guidelines for use by the council and other state infrastructure agencies in evaluating any request by a project sponsor for funding assistance to plan, acquire, construct, improve or otherwise develop a project or infrastructure project. The guidelines shall include the following factors: (1) the public health benefits of the project or infrastructure project; (2) the economic development benefits of the project or infrastructure project; (3) the degree to which the project or infrastructure project will correct deficiencies in the compliance of water supply or sewage treatment facilities with state or federal laws, regulations or standards; (4) the degree to which the project or infrastructure project encourages effective and efficient consolidation of water or sewage treatment systems consistent with the comprehensive plan developed pursuant to section six of this article; (5) the cost effectiveness of the project or infrastructure project as compared with

alternatives which achieve substantially the same public health or economic development benefits, including the consideration of providing maximum feasible fire protection; (6) the availability of alternative sources of funding which could finance all or a part of the project and infrastructure project, and the need for the assistance of the council to finance the project or infrastructure project or attract other sources of funding; (7) the applicant's ability to operate and maintain the system if the project or infrastructure project is approved; (8) the degree to which the project or infrastructure project achieves other state or regional planning goals; (9) the estimated date upon which the project or infrastructure project could commence if funding were available and the estimated completion date of the project or infrastructure project; and (10) such other considerations as the council may consider necessary or appropriate to accomplish the purpose and intent of this article.

(b) The council shall create a preliminary application form which shall be used by all project sponsors requesting funding assistance from state infrastructure agencies to plan, acquire, construct, improve or otherwise develop an infrastructure project or project. The preliminary application form shall contain all information required by all state infrastructure agencies that will be required to issue permits and/or certificates regarding the project or infrastructure project. The preliminary application shall require the project sponsor to set forth the type and proposed location of the infrastructure project or project; the estimated total cost of the project; the amount of funding assistance required and the specific uses of the funding; other sources of funding available or potentially available for the infrastructure project or project; information demonstrating the need for the infrastructure project or project and that the proposed funding of the project is the most economically feasible and viable alternative to completing the project or infrastructure project; and such other information as the council considers necessary to enable it to recommend the type of project or infrastructure project financing, in terms of the kind, amount and source of funding, which the project sponsor should pursue and which the state infrastructure agency or agencies should consider an appropriate investment of public funds, and to otherwise carry out the intent of this article.

Acts 1994, 1st Ex. Sess., c. 26.

§ 31-15A-5. Requirements for project funding assistance; review of project preliminary applications by council

(a) No project sponsor may apply for or receive any loan, loan guarantee, grant or other funding assistance for a project or infrastructure project from any state infrastructure agency (i) unless the project sponsor requiring the funding assistance first submits a completed preliminary application to the council on the form prepared for such purpose by the council pursuant to section four of this article, and (ii) except as may be recommended by the council after consideration of the preliminary application: Provided, That any project sponsor which has an infrastructure project or project with either

acceptable bids or all funding in place on the effective date of this act is not required to comply with the provisions of this section.

(b) The council shall, within thirty days of receipt of each completed preliminary application submitted to it, review the preliminary application and either (i) make a written recommendation as to the infrastructure project or project financing, in terms of the kind, amount and source of funding, which the project sponsor submitting the application should pursue and which the state infrastructure agency or agencies should consider an appropriate investment of public funds, or (ii) if the council determines that (1) the proposed project or infrastructure project is not eligible for funding assistance from any state infrastructure agency, or (2) the proposed project or infrastructure project is not otherwise an appropriate or prudent investment of state funds, the council shall recommend that the project sponsor not seek funding from any state infrastructure agency. A project sponsor shall include the preliminary application and the council's recommendations in any application to a state infrastructure agency.

(c) The council shall provide a copy of its recommendation with respect to each preliminary application, together with a copy of the preliminary application, to all appropriate state infrastructure agencies, which shall take into account the council's recommendations with respect to a project or infrastructure project before taking any action with respect to the project. No state infrastructure agency shall take any action inconsistent with the recommendation of the council unless the governing body of the agency, or the head of the agency if it has no governing body, expressly finds and determines that the recommendation is not in the best interest of the state or the area in which the proposed infrastructure project or project is to be located.

(d) In reviewing each preliminary application, the council shall use the engineering, financial and technical expertise of the respective staffs of the state infrastructure agencies represented on the council so as to recommend for funding those projects or infrastructure projects which are consistent with the purposes and intent of this article and with the policies and priorities of this state generally. The council may include in its findings a recommendation that a state infrastructure agency consider technical reports on the project prepared by other infrastructure agencies or by any federal agency.

Acts 1994, 1st Ex. Sess., c. 26.

§ 31–15A–6. Powers, duties and responsibilities of the council generally; comprehensive assessment

(a) In addition to the powers set forth elsewhere in this article, the council is hereby granted, has and may exercise all powers necessary or appropriate to carry out and effectuate the purposes and intent of this article. The council shall have the power and capacity to:

(1) Provide consultation services to project sponsors in connection with the planning, acquisition, improvement, construction or development of any infrastructure project or project;

(2) Periodically prepare a list of infrastructure projects or projects which cannot meet the established funding guidelines of the various state infrastructure agencies, other than the housing development fund, but which are consistent with the mandates of this article and recommend to the water development authority that it make a grant or loan to the project sponsors from the infrastructure fund to finance the cost of one or more such projects or infrastructure projects;

(3) Do all other acts necessary and proper to carry out the powers expressly granted to the authority in this article; and

(4) To make and execute contracts, commitments and obligations and other instruments necessary or convenient for the exercise of its powers.

(b) The council shall develop a comprehensive statewide inventory of water supply systems and sewage treatment systems and an assessment of current and future needs by the first day of July, one thousand nine hundred ninety-six. The assessment shall identify the areas of the state which do not have adequate public water or sewage systems and offer recommendations for the construction of new facilities or the extension or expansion of existing facilities to meet the identified needs. The council shall include in the assessment an identification of the obstacles, issues and problems which prevent or inhibit development of adequate infrastructure throughout the state, including financial, governmental, physical, or geographical factors and make recommendation as the council considers appropriate regarding the obstacles, issues or problems identified. This comprehensive inventory and assessment shall be updated at least once in every three year period after the initial assessment and inventory is completed.

(c) The council shall study the viability of the consolidation of public service districts throughout the state: Provided, That the study shall encompass not only public service districts but also any and all entities which provide or supply water and sewer service to the general public: Provided, however, That the council shall, in the preparation of the study, consult with the public service district division of the public service commission and representatives of the West Virginia rural water association and the West Virginia association of public service districts, as needed. The council shall report their findings and conclusions on or before the sixteenth of January of the year one thousand nine hundred ninety-five to the governor, speaker of the house of delegates and president of the senate.

Acts 1994, 1st Ex. Sess., c. 26.

§ 31–15A–7. Current and prospective planning; roads and highways; report to division of highways

(a) The council shall take into account the current and prospective infrastructure needs in relation to plans of the division of highways for the development and building of new roads. Upon completion of an environmental impact study, the commissioner of highways shall provide the council with plans for any and all new roads. In a timely manner, the council shall advise the

commissioner of the division of highways on the feasibility of the expansion of new or existing water and sewer lines concomitant to the construction of the new roads.

(b) The council has the authority to appoint local infrastructure planning teams. The local infrastructure planning teams may consist of the following: A designee of the division of highways from the region where the new road is being built; a designee of the division of highways from the central state office; a designee from the environmental engineers division of the department of health and human resources; a designee from the local developmental authority where the new road is being built; a designee from the regional developmental authority in the area where the new road is being built; a designee from the public service commission; a designee from the division of environmental protection; a designee from the county commission where the new road is being built who shall serve as chairperson of the planning team; a citizen of the county where the new road is being built to be chosen by the county commission; and the elected state delegates and senators from the area where the new road is being built. In order to avoid delay of any highway project, immediately upon appointment of a local infrastructure planning team, the director of the division of highways shall submit to the council a time frame within which the planning team must act and within which the planning team must submit any plans, maps, recommendations or reports developed pursuant to this subsection. The local infrastructure planning team shall meet prior to the development and building of a new road. Members of the local infrastructure planning team shall only receive payment for actual expenses incurred. The local infrastructure planning team shall advise the commissioner of the division of highways on the feasibility of an infrastructure plan. The local infrastructure planning team shall meet to develop an infrastructure plan that includes an assessment study of existing water and sewer lines and a feasibility study on future development and laying of water and sewer lines. After these studies are completed, a developmental map shall be drawn of the proposed road route with overlays of the proposed water and sewer lines. These studies and the map shall be presented to the commissioner of the division of highways and shall be used by the commissioner in the planning, developing and building of the road.

(c) The water development authority shall establish a restricted account within the infrastructure fund to be expended for the construction of water and sewage lines as may be recommended by the council in accordance with this article and specifically, in accordance with the plan developed under subsection (b) of this section. The reserve account shall be known as the "infrastructure road improvement reserve account". The council and the division of highways may enter into agreements to share the cost of financing projects approved in accordance with this section from moneys available in the infrastructure road reserve account and moneys available from the state road fund. Annually, the council may direct the water development authority to transfer funds from the infrastructure fund in an amount not to exceed one million dollars to the

restricted account: Provided, That at no time may the balance of the restricted account exceed one million dollars.

(d) For the purposes of this section the term "new" means a road right-of-way being built for the first time.

(e) After the construction of water and sewer lines adjacent to the new road, these new lines shall be turned over to existing utilities by expansion of boundaries of public service districts or shall be main extensions from the municipality.

Acts 1994, 1st Ex. Sess., c. 26.

§ 31–15A–8. Exemption of certain emergency projects from certificate of public convenience and necessity requirements; review of certain emergency projects by public service commission; and exemption for North Fork Hughes River watershed project

(a) If the council determines a project to be an emergency and the emergency project will be funded solely with grant money for the extension of an existing certificated water facility or wastewater facility, and if the council finds in its recommendation that the construction and acquisition of the emergency project will have no effect on the public utility's customer rates and will have no significant effect on its operational costs as a result of the project cost, then the emergency project is exempt from the requirement to obtain a certificate of public convenience and necessity under section eleven, article two, chapter twenty-four of this code. If the public utility is a public service district, it is exempt from the approval of the public service commission required under section twenty-five, article thirteen-a, chapter sixteen of this code.

(b) Any public utility, and any other entity that will operate as a public utility, must obtain a certificate of public convenience and necessity pursuant to section eleven, article two, chapter twenty-four of this code for any emergency project that is not exempt under subsection (a) of this section. The public service commission shall render its final decision on any application for a certificate within one hundred twenty days of the filing of the application: Provided, That the thirty-day prefiling requirement is not required. If the project sponsor is a public service district, then the project will be exempted from the approval requirements of section twenty-five, article thirteen-a, chapter sixteen of this code.

(c) Projects that are not emergency projects are subject to the requirements of section eleven, article two, chapter twenty-four of this code to the extent they would be otherwise.

(d) The North Fork Hughes River watershed project, proposed to enhance economic growth and development through tourism as provided in subsection (*l*), section two of this article and to include a water facility project as defined in subsection (n), section two of this article, is hereby specifically exempted from any requirement imposed by this article, except that the provisions of subsection (a) of this section are specifically made applicable to the project.

The project is hereby specifically authorized and the public land corporation shall have and may exercise the power of eminent domain and all authority otherwise prescribed by law to acquire necessary land and rights-of-way, to include approximately four hundred seventy-eight acres, in connection with the project. Funding for the project shall be provided by the federal government from the Appalachian regional commission through the United States soil conservation service. Upon completion of the project, the property acquired shall be transferred to the state park system. The commissioner of the division of tourism and parks or the successor to the commissioner's powers and duties is directed to expand the boundaries of North Bend state park to include the project area and to operate the expanded park property, including improved recreational facilities, from funds appropriated for that purpose.

Acts 1994, 1st Ex. Sess., c. 26; Acts 1998, c. 180, eff. 90 days after March 14, 1998.

§ 31–15A–9. Infrastructure fund; deposits in fund; disbursements to provide loans, loan guarantees, grants and other assistance; loans, loan guarantees, grants and other assistance shall be subject to assistance agreements

(a) The water development authority shall create and establish a special revolving fund of moneys made available by appropriation, grant, contribution or loan to be known as the "West Virginia Infrastructure Fund". This fund shall be governed, administered and accounted for by the directors, officers and managerial staff of the water development authority as a special purpose account separate and distinct from any other moneys, funds or funds owned and managed by the water development authority. The infrastructure fund shall consist of sub-accounts, as deemed necessary by the council or the water development authority, for the deposit of: (1) Infrastructure revenues; (2) any appropriations, grants, gifts, contributions, loan proceeds or other revenues received by the infrastructure fund from any source, public or private; (3) amounts received as payments on any loans made by the water development authority to pay for the cost of a project or infrastructure project; (4) insurance proceeds payable to the water development authority or the infrastructure fund in connection with any infrastructure project or project; (5) all income earned on moneys held in the infrastructure fund; (6) all funds deposited in accordance with section four of article fifteen-b; and (7) all proceeds derived from the sale of bonds issued pursuant to article fifteen-b of this chapter.

Any money collected pursuant to this section shall be paid into the West Virginia infrastructure fund by the state agent or entity charged with the collection of the same, credited to the infrastructure fund, and used only for purposes set forth in this article or article fifteen-b.

Amounts in the infrastructure fund shall be segregated and administered by the water development authority separate and apart from its other assets and programs. Amounts in the infrastructure fund may not be transferred to any other fund or account or used, other than indirectly, for the purposes of any other program of the water development authority, except that the water development authority may use funds in the infrastructure fund to reimburse

itself for any administrative costs incurred by it and approved by the council in connection with any loan, loan guarantee, grant or other funding assistance made by the water development authority pursuant to this article.

(b) Notwithstanding any provision of this code to the contrary, amounts in the infrastructure fund shall be deposited by the water development authority in one or more banking institutions: Provided, That any moneys so deposited shall be deposited in a banking institution located in this state. The banking institution shall be selected by the water development authority by competitive bid. Pending the disbursement of any money from the infrastructure fund as authorized under this section, the water development authority shall invest and reinvest the moneys subject to the limitations set forth in article eighteen, chapter thirty-one of this code.

(c) To further accomplish the purposes and intent of this article and article fifteen-b of this chapter, the water development authority may pledge infrastructure revenues and from time to time establish one or more restricted accounts within the infrastructure fund for the purpose of providing funds to guarantee loans for infrastructure projects or projects: Provided, That for any fiscal year the water development authority may not deposit into the restricted accounts more than twenty percent of the aggregate amount of infrastructure revenues deposited into the infrastructure fund during the fiscal year. No loan guarantee shall be made pursuant to this article unless recourse under the loan guarantee is limited solely to amounts in the restricted account or accounts. No person shall have any recourse to any restricted accounts established pursuant to this subsection other than those persons to whom the loan guarantee or guarantees have been made.

(d) Each loan, loan guarantee, grant or other assistance made or provided by the water development authority shall be evidenced by a loan, loan guarantee, grant or assistance agreement between the water development authority and the project sponsor to which the loan, loan guarantee, grant or assistance shall be made or provided, which agreement shall include, without limitation and to the extent applicable, the following provisions:

(1) The estimated cost of the infrastructure project or project, the amount of the loan, loan guarantee or grant or the nature of the assistance, and in the case of a loan or loan guarantee, the terms of repayment and the security therefor, if any;

(2) The specific purposes for which the loan or grant proceeds shall be expended or the benefits to accrue from the loan guarantee or other assistance, and the conditions and procedure for disbursing loan or grant proceeds;

(3) The duties and obligations imposed regarding the acquisition, construction, improvement or operation of the project or infrastructure project; and

(4) The agreement of the governmental agency to comply with all applicable federal and state laws, and all rules and regulations issued or imposed by the water development authority or other state, federal or local bodies regarding the acquisition, construction, improvement or operation of the infrastructure project or project and granting the water development authority the right to

appoint a receiver for the project or infrastructure if the project sponsor should default on any terms of the agreement.

(e) Any resolution of the water development authority approving loan, loan guarantee, grant or other assistance shall include a finding and determination that the requirements of this section have been met.

(f) The interest rate on any loan to governmental, quasi-governmental, or not for profit project sponsors for projects made pursuant to this article shall not exceed three percent per annum. Due to the limited availability of funds available for loans for projects, it is the public policy of this state to prioritize funding needs to first meet the needs of governmental, quasi-governmental and not for profit project sponsors and to require that loans made to for-profit entities shall bear interest at the current market rates. Therefore, no loan may be made by the council to a for-profit entity at an interest rate which is less than the current market rate at the time of the loan agreement.

(g) The water development authority shall cause an annual audit to be made by an independent certified public accountant of its books, accounts and records, with respect to the receipts, disbursements, contracts, leases, assignments, loans, grants and all other matters relating to the financial operation of the infrastructure fund, including the operating of any sub-account within the infrastructure fund. The person performing such audit shall furnish copies of the audit report to the commissioner of finance and administration, where they shall be placed on file and made available for inspection by the general public. The person performing such audit shall also furnish copies of the audit report to the Legislature's joint committee on government and finance.

Acts 1994, 1st Ex. Sess., c. 26; Acts 1995, c. 130, eff. March 10, 1995.

Acts 1990, c. 2, abolished the office of commissioner of finance and administration and transferred all duties and powers to the secretary of administration. See § 5A-1-2.

§ 31-15A-10. Recommendations by council for expenditures of funds by loan, grant or for engineering assistance

(a) To further accomplish the purpose and intent of this article, the water development authority shall use the moneys in the infrastructure fund created pursuant to section nine of this article, upon receipt of one or more recommendations from the council pursuant to section five of this article, to make loans, with or without interest, loan guarantees or grants and to provide other assistance, financial, technical or otherwise, to finance all or part of the costs of infrastructure projects or projects to be undertaken by a project sponsor: Provided, That any moneys disbursed from the infrastructure fund in the form of grants shall not exceed twenty percent of the total funds available for the funding of projects. No loan, loan guarantee, grant or other assistance shall be made or provided except upon a determination by the council that the loan, loan guarantee, grant or other assistance and the manner in which it will be provided are necessary or appropriate to accomplish the purposes and intent of this article, based upon an application submitted to the council: Provided,

however, That no grant shall be made to a project sponsor that is not a governmental agency or a not for profit corporation under the provisions of section 501(c) of the Internal Revenue Code of 1986, as amended. Applications for loans, loan guarantees, grants or other assistance may be submitted by a project sponsor for one or more infrastructure projects on preliminary application forms prepared by the council pursuant to section four of this article. Any recommendation of the council approving a loan, loan guarantee, grant or other assistance shall include a finding and determination by the council that the requirements of this section have been met. The council shall base any decisions to loan money for projects to project sponsors pursuant to this article solely on the need of the project sponsors.

(b) The council has the authority in its sole discretion to make grants to project sponsors if it finds that: (1) The level of rates for the users would otherwise be an unreasonable burden given the users' likely ability to pay; or (2) the absence of a sufficient number of users prevents funding of the project except through grants: Provided, That no project sponsor shall receive infrastructure grant money in an amount in excess of fifty percent of the total cost of the project. Therefore, the council may consider the economic or financial conditions of the area to be served. As a condition for receipt of a grant under this subsection, the council may require, in addition to any other conditions, that the applicant pursue other state or federal grant or loan programs. Upon a recommendation by the council, the water development authority shall provide the grant in accordance with the recommendation. The council shall develop criteria to be considered in making grants to project sponsors which shall require consideration of the economic or financial conditions of the area to be served and the availability of other funding sources. The council shall adopt procedural rules regarding the manner in which grants will be awarded in conformity with this section. The procedural rules shall be adopted pursuant to article three, chapter twenty-nine-a of this code.

(c) Notwithstanding any other provision of this article to the contrary, the council shall apply a mandatory minimum end user utility rate that must be met by the project sponsor before funding assistance may be awarded. The mandatory minimum end utility rate shall be based upon a uniform statewide percentage of the median household income in a particular geographic area and said rate shall not exceed six tenths of one percent: Provided, That funding assistance made from the proceeds of any general obligation bonds and revenue bonds issued after the fifteenth day of March, one thousand ninety-eight, after transfers required to make the state match for the water and wastewater revolving loan programs pursuant to article two, chapter twenty-two-c and article thirteen-c, chapter sixteen of this code, shall be provided by the council on a pro rata basis divided equally among the congressional districts of this state as delineated in accordance with section three, article two, chapter one of this code: Provided, however, That infrastructure projects as defined in subsection (1), section two of this article shall be subject to pro rata distribution. When determining median household income of a geographic area of the

project to be served, the council shall consider any surveys of the income of the households that will be served by the project.

(d) No loan or grant funds may be made available for a project if the project to be funded will provide subsidized services to certain users in the service area of the project.

(e) Notwithstanding any other provision of this article to the contrary, engineering studies and requirements imposed by the council for preliminary applications shall not exceed those engineering studies and requirements which are necessary for the council to determine the economic feasibility of the project. If the council determines that the engineering studies and requirements for the preapplication would impose an undue hardship on any project sponsor, the council may provide funding assistance to project sponsors to defray the expenses of the preapplication process from moneys available in the infrastructure fund for making loans: Provided, That the council may only provide funding assistance in an amount equal to five thousand dollars or fifty percent of the total preapplication cost of the project, whichever amount is greater. If the project is ultimately approved for a loan by the council, the amount of funding assistance provided to the project sponsor for the preapplication process shall be included in the total amount of the loan to be repaid by the project sponsor. If the project is not ultimately approved by the council, then the amount of funding assistance provided to the project sponsor will be considered a grant by the council and the total amount of the assistance shall be forgiven. In no event may the amount of funding assistance provided to all project sponsors exceed, in the aggregate, one hundred thousand dollars annually.

(f) The council shall report to the governor, the speaker of the House of Delegates and the president of the Senate during each regular and interim session of the Legislature, on its activities and decisions relating to distribution or planned distribution of grants and loans under the criteria to be developed pursuant to this article.

Acts 1994, 1st Ex. Sess., c. 26; Acts 1995, c. 130, eff. March 10, 1995; Acts 1998, c. 180, eff. 90 days after March 14, 1998.

§ 31–15A–11. Reservation of funds for projects and infrastructure projects

Eighty percent of the funds deposited in the West Virginia infrastructure fund shall be dedicated for the purpose of providing funding for the cost of projects as defined in subsection (n), section two of this article. Twenty percent of the funds deposited in the West Virginia infrastructure fund shall be dedicated for the purpose of providing funding for costs of infrastructure projects as defined in subsection (*l*), section two of this article. Project sponsors of infrastructure projects shall follow the application process as established by this article: Provided, That notwithstanding any provision of this article to the contrary, all applications for any infrastructure project shall be submitted to the council for

community and economic development, or its successor, for review, recommendation and approval regarding infrastructure project funding.

Acts 1994, 1st Ex. Sess., c. 26; Acts 1998, c. 180, eff. 90 days after March 14, 1998.

§ 31–15A–12. Additional powers of water development authority

To accomplish the purpose and intent of this article, the water development authority is hereby empowered, in addition to all other powers granted to it under this code, upon approval of the council, to (1) enter into agreements or other transactions with any federal or state agency in connection with any infrastructure project or project; (2) receive or administer on behalf of any federal or state agency grants, subsidies or other payments to be applied to the costs of any infrastructure project or project financed in whole or in part or otherwise assisted by the water development authority, including, but not limited to, payments to be applied to operating costs and debt service or obligations of any project sponsor; (3) receive and accept aid or contributions from any source of money, property, labor or other things of value, to be held, used and applied only for the purposes for which such grants and contributions are made; (4) establish and amend the criteria and qualifications for making loans, loan guarantees or grants, or providing any other assistance, for any infrastructure project or project, and the terms of any loans, loan guarantee, grant or assistance agreement for any project; and (5) do all things which are necessary to further the purposes and intent of this article.

Acts 1994, 1st Ex. Sess., c. 26.

§ 31–15A–13. Prohibition on funds inuring to the benefit of or being distributable to water development board; transactions between the water development board and officers having certain interests in such transactions

No part of the infrastructure fund or the West Virginia infrastructure revenue debt service fund shall inure to the benefit of or be distributable to the water development board directors or officers of the water development authority except that the water development authority is authorized and empowered to pay reasonable compensation, other than to members of the water development board, including the chairman, vice chairman, secretary-treasurer for services rendered and to make loans and exercise its other powers as previously specified in furtherance of its corporate purpose: Provided, That no loans shall be made, and no property shall be purchased or leased from, or sold, leased or otherwise disposed of, to any water development board member or officer of the water development authority.

Acts 1994, 1st Ex. Sess., c. 26; Acts 1998, c. 180, eff. 90 days after March 14, 1998.

§ 31–15A–14. Termination or dissolution

Upon the termination or dissolution of the water development authority, all rights and properties of the water development authority with respect to the

infrastructure fund shall pass to and be vested in the state, subject to the rights of lienholders and other creditors.

Acts 1994, 1st Ex. Sess., c. 26.

§ 31–15A–15. Projects not to be considered public improvements; competitive bid requirements

(a) No project or infrastructure project acquired, constructed, maintained or financed, in whole or in part, by the water development authority shall be considered to be a "public improvement" within the meaning of the provisions of article five-a, chapter twenty-one of this code as a result of the financing.

(b) The state and its subdivisions shall, except as provided in subsection (c) of this section, solicit competitive bids and require the payment of prevailing wage rates as provided in article five-a, chapter twenty-one of this code for every project or infrastructure project funded pursuant to this article exceeding twenty-five thousand dollars in total cost.

Following the solicitation of the bids, the construction contract shall be awarded to the lowest qualified responsible bidder, who shall furnish a sufficient performance and payment bond: Provided, That the state and its subdivisions may reject all bids and solicit new bids on the project.

(c) This section does not:

(1) Apply to work performed on construction or repair projects not exceeding a total cost of fifty thousand dollars by regular full-time employees of the state or its subdivisions: Provided, That no more than fifty thousand dollars shall be expended on an individual project in a single location in a twelve-month period;

(2) Prevent students enrolled in vocational educational schools from being used in the construction or repair projects when such use is a part of the students' training program;

(3) Apply to emergency repairs to building components and systems: Provided, That the term "emergency repairs" means repairs that, if not made immediately, will seriously impair the use of the building components and systems or cause danger to those persons using the building components and systems; or

(4) Apply to any situation where the state or a subdivision of the state comes to an agreement with volunteers, or a volunteer group, by which the governmental body will provide construction or repair materials, architectural, engineering, technical or any other professional services and the volunteers will provide the necessary labor without charge to, or liability upon, the governmental body: Provided, That the total cost of the construction or repair projects does not exceed fifty thousand dollars.

(d) The provisions of subsection (b) of this section do not apply to privately owned projects or infrastructure projects constructed on lands not owned by the state or a subdivision of the state.

Acts 1994, 1st Ex. Sess., c. 26; Acts 2001, c. 45, eff. 90 days after April 14, 2001.

Historical and Statutory Notes

Acts 2001, c. 45 rewrote this section which as enacted provided:

"(a) No project or infrastructure project acquired, constructed, maintained or financed in whole or in part by the water development authority shall be considered to be a "public improvement" within the meaning of the provisions of article five-a, chapter twenty-one of this code, as a result of such financing.

"(b) The state and its subdivisions shall, except as provided in this subsection, solicit competitive bids and require the payment of prevailing wage rates as provided in article five-a, chapter twenty-one of this code for every project or infrastructure project funded pursuant to this article exceeding twenty-five thousand dollars in total cost. Following the solicitation of the bids, the construction contract shall be awarded to the lowest qualified responsible bidder, who shall furnish a sufficient performance and payment bond: Provided, That the state and its subdivisions may reject all bids and solicit new bids on the project. Nothing in this subsection applies to work performed on construction or repair projects not exceeding a total cost of twenty-five thousand dollars by regular full-time employees of the state or its subdivisions, nor shall anything in this subsection prevent students enrolled in vocational educational schools from being utilized in the construction or repair projects when such use is a part of the students' training program. Nothing in this subsection applies to emergency repairs to building components and systems: Provided, however, That the term "emergency repairs" means repairs that if not made immediately will seriously impair the use of the building components and systems or cause danger to those persons using the building components and systems. This subsection shall not apply to any situation where the state or a subdivision thereof comes to an agreement with volunteers, or a volunteer group, whereby the governmental body will provide construction or repair materials, architectural, engineering, technical or any other professional services and the volunteers will provide the necessary labor without charge to, or liability upon, the governmental body: Provided further, That the total cost of the construction or repair projects does not exceed twenty-five thousand dollars.

"(c) The provisions of subsection (b) of this section shall not apply to privately owned projects or infrastructure projects constructed on lands not owned by the state or a subdivision of the state."

§ 31-15A-16. Dedication of severance tax proceeds

(a) There shall be dedicated an annual amount from the collections of the tax collected pursuant to article thirteen-a, chapter eleven of this code for the construction, extension, expansion, rehabilitation, repair and improvement of water supply and sewage treatment systems and for the acquisition, preparation, construction and improvement of sites for economic development in this state as provided in this article.

(b) Notwithstanding any other provision of this code to the contrary, beginning on the first day of July, one thousand nine hundred ninety-five, the first sixteen million dollars of the tax collected pursuant to article thirteen-a, chapter eleven of this code shall be deposited to the credit of the West Virginia infrastructure general obligation debt service fund created pursuant to section three, article fifteen-b of this chapter: Provided, That beginning on the first day of July, one thousand nine hundred ninety-eight, the first twenty-four million dollars of the tax annually collected pursuant to article thirteen-a of this code shall be deposited to the credit of the West Virginia infrastructure general obligation debt service fund created pursuant to section three, article fifteen-b of this chapter.

(c) Notwithstanding any provision of subsection (b) of this section to the contrary: (1) none of the collections from the tax imposed pursuant to section six, article thirteen-a, chapter eleven of this code shall be so dedicated or deposited; and (2) the portion of the tax imposed by article thirteen-a, chapter eleven and dedicated for purposes of medicaid and the division of forestry

pursuant to section twenty-a of said article thirteen-a shall remain dedicated for the purposes set forth in said section twenty-a.

(d) On or before the first day of May of each year, commencing the first day of May, one thousand nine hundred ninety-five, the council, by resolution, shall certify to the treasurer and the water development authority the principal and interest coverage ratio and amount for the following fiscal year on any infrastructure general obligation bonds issued pursuant to the provisions of article fifteen-b of this chapter.

Acts 1994, 1st Ex. Sess., c. 26; Acts 1995, c. 130, eff. March 10, 1995; Acts 1998, c. 180, eff. 90 days after March 14, 1998.

§ 31–15A–17. Water development authority empowered to issue infrastructure revenue bonds and refunding bonds; creation of infrastructure revenue debt service fund; funding of infrastructure revenue debt service fund; requirements and manner of such issuance

(a) To accomplish the purpose and intent of this article, the water development authority is hereby empowered at the written request of the council to issue from time to time infrastructure revenue bonds of the state in such principal amounts as the council deems necessary to make loans and loan guarantees and other forms of financial assistance to project sponsors for one or more projects or infrastructure projects: Provided, That the water development authority may not issue any such bonds, other than refunding bonds, unless the council by resolution determines that the aggregate cost of the projects or infrastructure projects expected to be constructed during any annual period exceeds (1) the projected annual infrastructure revenues for the same period, and (2) the principal and interest payments not otherwise pledged to the infrastructure revenue debt service fund that are due the water development authority on all outstanding loans previously made by the water development authority pursuant to the provisions of this article.

(b) The proceeds of infrastructure revenue bonds shall be used solely for the purpose of making loans and loan guarantees and other forms of financial assistance to sponsors of one or more projects or infrastructure projects, and shall be deposited in one or more special accounts with the trustee under the trust agreement securing such bonds and disbursed from time to time for projects or infrastructure projects in accordance with this article: Provided, That notwithstanding any provision of this code to the contrary, twenty percent of the funds deposited in the special account shall be dedicated for the purpose of providing funding for costs of infrastructure projects as defined in subsection (*l*), section two, of this article.

(c) The water development authority may not authorize the disbursement of any proceeds of infrastructure revenue bonds unless it has received documentation from the council pursuant to the provisions of section ten of this article.

(d) There is hereby created in the water development authority a special fund which shall be designated and known as the "West Virginia Infrastructure

Revenue Debt Service Fund," into which shall be transferred solely from the loan repayments deposited in the infrastructure fund the amounts certified by the director of the water development authority as necessary to pay the principal, premium, if any, and interest on infrastructure revenue bonds and any reserve requirements, subject to the terms of any agreement with the holders of the infrastructure revenue bonds. All amounts deposited in the West Virginia infrastructure revenue debt service fund shall be pledged to the repayment of the principal, interest and redemption premium, if any, on any infrastructure revenue bonds authorized by this article: Provided, That amounts on deposit in the fund may be used to establish or maintain reserves created for the purposes of securing such infrastructure revenue bonds. The pledge shall be valid and binding from the time the pledge is made, and the West Virginia infrastructure revenue debt service fund so pledged shall immediately be subject to the lien of the pledge without any physical delivery thereof or further act, and the lien of any such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the water development authority irrespective of whether the parties have notice thereof.

(e) Except as may otherwise be expressly provided in this article or by resolution of the water development authority, every issue of infrastructure revenue bonds shall be special obligations of the water development authority payable solely from amounts in the West Virginia infrastructure revenue debt service fund, and the reserves created for this purpose by the water development authority, without preference or priority among the bonds regardless of when issued, subject only to any agreements with the holders of any bonds to the contrary. All such bonds are hereby declared to be negotiable instruments.

(f) Infrastructure revenue bonds shall be authorized by resolution of the water development authority. These bonds shall bear such dates and shall mature at such times, in case of any note or renewal thereof not exceeding five years from the date of issue of the original note, and in the case of any bond not exceeding fifty years from the date of issue, as the resolution may provide. Infrastructure revenue bonds shall bear interest at a rate or rates, including variable rates, shall be taxable or tax-exempt, shall be in the denominations, shall be in registered form, shall carry the registration privileges, shall be payable in the medium and place of payment, and shall be subject to the terms of redemption as the water development authority may authorize. Infrastructure revenue bonds may be sold by the water development authority at public or private sale at the price the water development authority determines in consultation with the council. Infrastructure revenue bonds shall be executed by the chairman and the vice chairman of the water development authority, either or both of whom may use a facsimile signature. The official seal of the water development authority or a facsimile thereof shall be affixed thereto or printed thereon and attested by manual or facsimile signature by the secretary-treasurer of the water development authority. If any officer whose signature, or a facsimile of whose signature appears on any infrastructure revenue bond ceases to be such officer before delivery of such bond, such signature or

facsimile is nevertheless sufficient for all purposes to the same extent as if he or she had remained in office until such delivery, and if the seal of the water development authority has been changed after a facsimile has been imprinted on such bond, the facsimile will continue to be sufficient for all purposes.

(g) Any resolution authorizing any infrastructure revenue bonds may contain provisions, subject to any agreement with bondholders or noteholders which may then exist, which agreements shall be part of the contract with the holder thereof, with respect to the pledge of or other use and disposition of amounts in the infrastructure revenue debt service fund; the setting aside of reserve funds; the disposition of any assets of the water development authority; limitations on the purpose to which the proceeds of sale of bonds may be applied; the authorization of notes issued in anticipation of the issuance of bonds; an agreement of the water development authority to do all things necessary for the authorization, issuance and sale of such bonds in such amounts as may be necessary for the timely retirement of such notes; limitations on the issuance of additional bonds; the terms upon which additional bonds may be issued and secured; the refunding of outstanding bonds and the renewal of outstanding notes; the procedures, if any, by which the terms of any contract with bondholders or noteholders may be amended or abrogated; the amount of bonds the holders of which must consent thereto and the manner in which such consent may be given; and any other matter which in any way affects the security for or protection of the bonds.

(h) In the event that the sum of all reserves pledged to the payment of the bonds is less than the minimum reserve requirements established in any resolution or resolutions authorizing the issuance of the bonds, the chairman or the director of the water development authority shall certify, on or before the first day of December of each year, the amount of such deficiency to the governor of the state for inclusion, if the governor shall so elect, of the amount of such deficiency in the budget to be submitted to the next session of the Legislature for appropriation to the water development authority to be pledged for payment of such bonds: Provided, That the Legislature shall not be required to make any appropriations so requested, and the amount of such deficiencies shall not constitute a debt or liability of the state.

(i) Neither the officers or board members of the water development authority, nor any person executing the infrastructure revenue bonds, shall be liable personally on the bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

Acts 1998, c. 180, eff. 90 days after March 14, 1998.

§ 31–15A–18. Trustee for holders of infrastructure revenue bonds; contents of trust agreement

(a) Any infrastructure revenue bonds issued by the water development authority under this article shall be secured by a trust agreement between the water development authority and a corporate trustee, which trustee may be any trust company or banking institution having the powers of a trust company within this state.

(b) Any trust agreement may pledge or assign the infrastructure revenue debt service fund. Any trust agreement or any resolution providing for the issuance of such bonds may contain such provisions for protecting and enforcing the rights and remedies of the bondholders or noteholders as are reasonable and proper and not in violation of law, including the provisions contained in section seventeen of this article, and covenants setting forth the duties of the water development authority in respect to the payment of the principal of and interest, charges and fees on loans made to, or bond purchases from, governmental agencies from the proceeds of the bonds, and the custody, safeguarding and application of all moneys. Any banking institution or trust company incorporated under the laws of this state which may act as depository of the proceeds of bonds or of the infrastructure debt service fund shall furnish such indemnifying bonds or pledge securities as are required by the water development authority. The trust agreement may set forth the rights and remedies of the bondholders and noteholders and of the trustee and may restrict individual rights of action by bondholders and noteholders as customarily provided in trust agreements or trust indentures securing similar bonds and notes. The trust agreement may contain such other provisions as the water development authority deems reasonable and proper for the security of the bondholders or noteholders. All expenses incurred in carrying out the provisions of any such trust agreement may be treated as part of the cost of the construction, renovation, repair, improvement or acquisition of a project or infrastructure project.

Acts 1998, c. 180, eff. 90 days after March 14, 1998.

§ 31–15A–19. Legal remedies of infrastructure revenue bondholders or noteholders and trustees

Any holder of infrastructure revenue bonds issued pursuant to this article and the trustee under any trust agreement, except to the extent the rights given by this article may be restricted by the applicable resolution or trust agreement, may by civil action, mandamus or other proceedings protect and enforce any rights granted under the laws of this state or granted under this article, by the trust agreement or by the resolution in the issuance of the bonds, and may enforce and compel the performance of all duties required by this article, pursuant to the trust agreement or resolution, to be performed by the water development authority or any officer thereof.

Acts 1998, c. 180, eff. 90 days after March 14, 1998.

§ 31–15A–20. Infrastructure revenue bonds lawful investments

All infrastructure revenue bonds issued pursuant to this article shall be lawful investments for banking institutions, societies for savings, building and loan associations, savings and loan associations, deposit guarantee associations, trust companies, and insurance companies, including domestic for life and domestic not for life insurance companies.

Acts 1998, c. 180, eff. 90 days after March 14, 1998.

§ 31–15A–21. Purchase and cancellation of infrastructure revenue bonds

(a) The water development authority, subject to such agreements with noteholders or bondholders as may then exist, shall have the power, from any funds available therefor, to purchase or redeem infrastructure revenue bonds of the water development authority.

(b) If the infrastructure revenue bonds are then redeemable, the price of the purchase shall not exceed the redemption price then applicable, plus accrued interest to the next interest payment date thereon. If the infrastructure revenue bonds are not then redeemable, the price of the purchase shall not exceed the redemption price applicable on the first date after the purchase upon which the bonds become subject to redemption, plus accrued interest to such date. Upon purchase or redemption, the bonds shall be canceled.

Acts 1998, c. 180, eff. 90 days after March 14, 1998.

§ 31–15A–22. Refunding revenue bonds

Any infrastructure revenue bonds issued pursuant to the provisions of this article and at any time outstanding may at any time and from time to time be refunded by the water development authority by the issuance of its refunding revenue bonds in an amount it deems necessary to refund the principal of the bonds to be refunded, together with any unpaid interest thereon, to provide additional funds for the water development authority to accomplish the purpose of this article, and to pay any premiums and commissions necessary to be paid in connection therewith. Any refunding may be effected whether the infrastructure revenue bonds to be refunded shall have then matured or shall thereafter mature: Provided, That the holders of any infrastructure revenue bonds so to be refunded shall not be compelled without their consent to surrender their infrastructure revenue bonds for payment or exchange prior to the date on which they are payable or, if they are called for redemption, prior to the date on which they are by their terms subject to redemption. Any refunding revenue bonds issued pursuant to this article shall be payable from the West Virginia infrastructure revenue debt service fund, and shall be subject to the provisions contained in section seventeen of this article, and shall be secured in accordance with the provisions of sections seventeen and eighteen of this article.

Acts 1998, c. 180, eff. 90 days after March 14, 1998.

§ 31–15A–23. Infrastructure revenue bonds not debt of state, county, municipality or any political subdivision

Infrastructure revenue bonds issued pursuant to the provisions of this article shall not constitute a debt or a pledge of the faith and credit or taxing power of this state or of any county, municipality or any other political subdivision of this state. The holders or owners thereof shall have no right to have taxes levied by the Legislature or the taxing authority of any county, municipality or any other political subdivision of this state for the payment of the principal thereof or interest thereon. The bonds shall be payable solely from the

revenues and funds pledged for their payment as authorized by this article. All such bonds shall contain on the face thereof a statement to the effect that the bonds, as to both principal and interest, are not debts of the state or any county, municipality or political subdivision thereof, but are payable solely from revenues and funds pledged for their payment.

Acts 1998, c. 180, eff. 90 days after March 14, 1998.

§ 31-15A-24. Infrastructure revenue bonds exempt from taxation

The exercise of the powers granted to the water development authority by this article will be in all respects for the benefit of the people of the state, for the improvement of their health, safety, convenience and welfare and for the enhancement of their residential, agricultural, recreational, economic, commercial and industrial opportunities and is for a public purpose. As the construction, acquisition, repair or renovation of projects or infrastructure projects will constitute the performance of essential governmental functions, the water development authority shall not be required to pay any taxes or assessments upon any project or upon any property acquired or used by the water development authority or upon the income therefrom. The infrastructure revenue bonds and all interest and income thereon shall be exempt from all taxation by this state, or any county, municipality, political subdivision or agency thereof, except estate taxes.

Acts 1998, c. 180, eff. 90 days after March 14, 1998.

Voucher approved by the Roane County Commission, April 23, 1985:

James P. Mylott	Services Rendered	Federal Revenue	720.50

Charles I. McKown made a motion to adjourn at 8:55 P.M. The motion was seconded by L. Darrell Atkinson.

Ken Stewart

Ken Stewart, President

FIRST REGULAR SESSION OF THE ROANE COUNTY COMMISSION, MAY 14, 1985

The Roane County Commission met this the 14th day of May, 1985 at 7:00 P.M. for the first regular meeting of the month. Commissioners present were Ken Stewart, President, Charles I. McKown and L. Darrell Atkinson.

Minutes of the previous meeting were approved as read.

The following erroneous assessments were approved:

Melda O'Dell $274.20
Clemens H. Schiffleger $34.38
James Douglas $397.48
Oren James Tallman $25.06
James Ward $32.04
Jack Batten $45.40
Danny Miller $15.78
Allan Huffman $56.34
Robert Abner $45.84
Rouzer Oil Comp.,Inc. $80.12

Mr. Boyles from Hildreth & Boyles Engineering Firm spoke to the Commission asking for additional funds for the Clover Water Project. It will be reviewed at the next meeting.

A delegation from the Walton area was present for further discussion on the Walton Instant Library.

See the AV Papers! Jim Mylott discussed the Clay-Roane Water Project.

Charles I. McKown made a motion that the Commission request Mr. Ken Lewis to forward a letter to the Roane County Commission stating that he intends to pay the current prevailing wage for the Walton area while constructing the Walton Instant Library and that he is knowlegeable of the requirements set forth by the Governor's Office of Economic Development. The Commission asks that within three days of receiving notice that he rescind the contract to the County Commission if he does not intend to fulfill the contract. Then if it be lawful the contract will be given to the next lowest bidder which is Wayne Plumbing and Heating if they will accept. Return receipt mail is to be used. The motion was seconded by L. Darrell Atkinson. The motion was voted unanimous.

BONDS APPROVED MAY 14, 1985

Stephen M. Anderson, Principal, Buckeye Union Insurance Co.,Surety, Officer's Bond
Kerry Chancey, Principal, Mary G. Thomas, Surety, Administratrix, Margaret A. Bennett, dec'd.
Lou Wagoner Hall, Principal, Freddy Wagoner, Surety, Administratrix, Loren E. Wagoner, dec'd.
Charles D. Mills, Principal, Western Surety Co.,Surety, Officer's Bond, appt. Minister

WILLS APPROVED MAY 14, 1985

James W. McBride, Dec'd. 3-22-85
Clarence F. Richards, Dec'd. 4-19-85
Virgil Lee Barnhouse, Dec'd. 4-24-85
Bessie A. Snodgrass, Dec'd. 4-26-85

SETTLEMENTS APPROVED MAY 14, 1985

Russell Cleo Parsons, Dec'd.
Arnold Ray Watson, Dec'd.
Bailey Summerfield, Dec'd.
Lucille Smith, Dec'd.
William Gay Vannest, Dec'd.
Goldie E. Parkins Dec'd.
Una Della Lowe, Dec'd.
Evelyn Grudier, Dec'd.
Pearl Cox, Dec'd.
Paul Vicars, Dec'd.
Clyde Nutter, Dec'd.
David A. Combs, Committee for Grace Marcella Holswade, incompetent
Orland F. McKown, Committee for Travis E. McKown, incompetent
Virginia Goodwin, Committee for Beulah G. Holland, incompetent

The following invoices were approved by the Roane County Commission:

Consumers Gas Utility Co.	Courthouse Utility	General County	577.39
Monongahela Power Co.	Courthouse Utility	"	812.33
Larry Stotts	Service of papers	"	838.20
Dept. of Employment Security	Employment Security	"	4,722.44
Traders Bank	Federal Withholding	"	3,869.10
State Tax Dept.	State Withholding	"	1,069.38
Social Security Division	Social Security	"	4,844.36
WV Public Employees Ret. System	Retirement	"	4,709.36
WV Public Employees Ins. Board	Hospital Insurance	"	1,320.00
WV Public Employees Inv. Board	Optional Life	"	28.40
Equitable Life	Life Insurance	"	112.39
AFLAC	Insurance Group	"	198.95
C & P Telephone	Telephone Bill	"	1,918.99
City of Spencer Waterworks System	Courthouse Utility	"	256.73
Consumers Gas Utility Co.	Courthouse Utility	"	332.83
Elk Valley, Inc.	Courthouse Expense	"	88.00
Monongahela Power Co.	Courthouse Utility	"	984.15
Monongahela Power Co.	Jail Utility	"	61.41
Mountaineer Gas Co.	Jail Utility	"	99.00
Valley Cablevision	Cableservice	"	27.25
Carolyn Batten	Word-Computer Seminar	"	[illegible]

County Commissioner

County Commissioner

Approved nunc pro tunc:

County Commissioner sitting as of the date of the original hearing, June 25, 1985.

County Commissioner sitting as of the date of the original hearing, June 25, 1985.

Attested By:

LORETTA KNAPP, CLERK OF THE COUNTY COMMISSION

GENE M. ASHLEY, CLERK OF THE COUNTY COMMISSION
AS OF JUNE 25, 1985

COUNTY CLERK'S CERTIFICATION

STATE OF WEST VIRGINIA
COUNTY OF ROANE

I, Loretta J. Knapp, Clerk of the County Commission of Roane County, the same being a Court of Record, having the custody of the Files, Journals and Records of said Commission, do certify that the foregoing is a true and accurate copy as the same appears of record in Orders Book # 28, at Page 221-6-2, and I further certify that I have carefully compared the foregoing copy with the original record, and that the same is a full and correct transcript thereof.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of said Commission, at Spencer, Roane County, West Virginia, this the 18th day of March, 19 97.

LORETTA J. KNAPP, CLERK
ROANE COUNTY COMMISSION

BY: Loretta J. Knapp
Deputy

vote was affirmative.

Ken Stewart, President

SECOND REGULAR MEETING OF THE ROANE COUNTY COMMISSION, MAY 28, 1985

The Roane County Commission met this the 28th day of May, 1985 at 7:00 P.M. for the second regular session of the month. Commissioners present were Ken Stewart, President, Charles I. McKown and L. Darrell Atkinson.

The previous meeting minutes were read and approved.

Lee Ellis and Paul Rogers appeared before the Commission with a petition to create a Public Service District in Roane County to be known as the Clay-Roane Public Service District.

Charles I. McKown made a motion to accept the petition for Clay-Roane Public Service Distric as presented by Lee Ellis. The motion was seconded by L. Darrell Atkinson. The vote was affirmative.

There will be a Public Hearing on June 25, 1985 at 7:00 P.M. concerning the proposed Clay-Roane Public Service District.that would be created for water from Newton to Walback, Valley Fork and Procious areas.

L. Darrell Atkinson made a motion to appoint Revenna Boggs to the Board of Directors of the Western District Guidance Center to fill the vacancy of Corley Miller who just recently re-signed. Charles I. McKown seconded the motion. The vote was affirmative.

Jim Mylott brought the Commission up to date concerning the Clover Water Project.

L. Darrell Atkinson moved to allocate $4,800.00 to the Clover Water Project to make a total of $25,000.00 committed from the Roane County Commission. The motion was seconded by Charle I. McKown. The vote was affirmative.

The Commission went into recess at 7:30 P.M. to have a brief conversation with the Prosecuti Attorney, Tom Evans III, in his office concerning the Walton Instant Library. The Commissio returned at 8:10 P.M. from recess.

Charles I. McKown made a motion that since Ken Lewis has not responded as requested by the Roane County Commission that his contract be now declared void and that his contract go to the next lowest bidder which is Wayne Heating and Plumbing for the amount of $47,350.00; done this the 28th of May, 1985 at 7:20 P.M. The motion was seconded by L. Darrell Atkinson The vote was affirmative.

Charles I. McKown made a motion that George Chandler be given permission to remodel the Assessor's Office as long as it is favorable with regulations of the Fire Marshall Office and not to exceed the amount of $2,000.00 which is to come from his current budget. L. Darrell Atkinson seconded the motion. The vote was affirmative.

The following vouchers were approved by the Commission:

Ken Stewart	Tax Comm. meeting at Canaan Val	General County	71.00
Gene M. Ashley	Mileage/service training " "	"	65.60
Donna Forron	In Service Training	"	12.00
Doris Drake	In Service Training	"	90.65
George Chander	In Service Training	"	77.35
George A. Chandler	Mileage, Meals & Supplies	"	23.35
The Mithie Company	W.Va. Code W/BkPP	"	37.27
Don Yoak	2 Frames, glass,backing,mounting	"	160.00
James P. Mylott	Services Rendered	Revenue Sharing	517.00
General County Fund	Reimbursement for Jacy	"	12,956.00
General County Fund	Reimbursement/State Tax Dept.	General School	6,256.00
General County Fund	Reimbursement/Jail Expense	"	5,684.00

L. Darrell Atkinson made a motion to adjourn the meeting at 9:10 P.M.

Ken Stewart, President

COUNTY CLERK'S CERTIFICATION

STATE OF WEST VIRGINIA
COUNTY OF ROANE

I, Loretta J. Knapp, Clerk of the County Commission of Roane County, the same being a Court of Record, having the custody of the Files, Journals and Records of said Commission, do certify that the foregoing is a true and accurate copy as the same appears of record in Order Book # 26, at Page 482, and I further certify that I have carefully compared the foregoing copy with the original record, and that the same is a full and correct transcript thereof.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of said Commission, at Spencer, Roane County, West Virginia, this the 18th day of March, 1997.

LORETTA J. KNAPP, CLERK
ROANE COUNTY COMMISSION
BY: Loretta J. Knapp

ORDERS. County Commission, Roane County, W. Va.

CONTINUED PUBLIC HEARING FOR ANNEXATION OF THE SPENCER STATE HOSPITAL PROPERTY

The Roane County Commission met this the 14th day of August, 1990, to continue the public hearing scheduled for July 24, 1990. The purpose of the hearing was to annex the Spencer State Hospital property into the city of Spencer. Commissioners present were L. Darrell Atkinson and Quellen Keith. The hearing was called to order at 6:43 p.m.

City attorney, Tom Whittier presented copies of publication and an affidavit stating required notices had been posted.

L. Darrell Atkinson made a motion to grant the petition. Seconded by Quellen Keith, vote affirmative.

Hearing adjourned at 6:50 p.m.

L. Darrell Atkinson, President

FIRST REGULAR MONTHLY MEETING OF THE ROANE COUNTY COMMISSION AUGUST 14, 1990

The Roane County Commission met this the 14th day of August, 1990, for the first regular session of the month. Commissioners present were L. Darrell Atkinson and Quellen Keith. The meeting was called to order at 7:00 p.m. The minutes from the last regular session were read and approved.

Attorney, Tom Whittier gave an update on the Clay/Roane and Gandeeville Public Service Districts and presented orders to the Commission for approval.

Quellen Keith made a motion to enter the order nunc pro tunc accepting the petition calling for a public hearing on the Clay/Roane project and the original minutes of May 14, 1985, be referenced. Seconded by L. Darrell Atkinson, vote affirmative.

Quellen Keith made a motion to enter the order nunc pro tunc creating the Clay/Roane Public Service District and the original minutes of June 25, 1985, be referenced. Seconded by L. Darrell Atkinson, vote affirmative.

Quellen Keith made a motion to enter the order nunc pro tunc approving Lee Ellis on the Clay/Roane Public Service District Board for a six year term and to confirm the appointment by the Clay County Commission of Karen Dawson for a two year term and Paul Rogers for a four year term. The original minutes of July 9, 1985, be referenced. Seconded by L. Darrell Atkinson, vote affirmative.

Quellen Keith made a motion to approve the Resolution granting $20,000 to the Clay/Roane Public Service District. Seconded by L. Darrell Atkinson, vote affirmative. (Voucher and motion approved July 24, 1990 and June 26, 1990) (Copy Attached)

Quellen Keith made a motion to enter the following three (3) orders: (1) The order nunc pro tunc accepting the petition calling for a public hearing on the Gandeeville project and the original minutes of February 26, 1985, be referenced. (2) The order nunc pro tunc creating the Gandeeville Public Service District and appointing Walter Counts, George Harper, and I. W. Snodgrass to serve on the Gandeeville P.S. D. Board. The original minutes of April 23, 1985, to be referenced. (3) The order nunc pro tunc extending the Gandeeville Public Service District boundaries from the top of Bent Hill to the lines of the Spencer Waterworks near the intersection of US Route 119 and Route 36, and the original minutes of October 24, 1986, be referenced. The motion was seconded by L. Darrell Atkinson, vote affirmative.

Quellen Keith made a motion to approve the draw down request of $4,336.10 by the Mid Ohio Valley Area Development Corporation for administrative fees for the Gandeeville Project. Seconded by L. Darrell Atkinson, vote affirmative.

Commissioner Orton Jones arrived at 7:40 P.M.

Rusty Sommerville, Fire Chief for the Reedy Volunteer Fire Department, addressed the Commission concerning the need for a new fire truck for the Reedy department.

Orton Jones made a motion to have a letter sent to all V.F.D's Chiefs requesting their presence at the August 28, 1990, regular session to discuss the Capital Outlay Account for the Excess Levy Fund. Seconded by Quellen Keith, vote affirmative.

Don Smith spoke to the Commission concerning the E911 System.

Orton Jones made a motion to hold a public hearing on September 27, 1990, at 7:00 p.m. on the E911 Emergency System for Roane County and proper publication be made. Motion was seconded by Quellen Keith, vote affirmative.

BEFORE THE COUNTY COMMISSION OF ROANE

COUNTY, WEST VIRGINIA

IN RE: CLAY/ROANE PUBLIC SERVICE DISTRICT

ORDER

There came this 14th day of May, 1985, a delegation from the Communities of Ovapa, Valleyfork, Wallback and Newton, together with James P. Mylott of the Mid Ohio Valley Regional Commission, and asked that the County Commission, in accord with the provisions of West Virginia Code Chapter 16 Article 13A Section 2, create a public service district to be known as the Clay/Roane Public Service District and to encompass an area containing and encompassing 8,564 acres, more or less, in the area of the aforesaid communities of Ovapa, Valleyfork, Wallback and Newton, more particularly bounded and described as follows:

Beginning at a point south of the intersection of W. V. State Routes 4 and 14; thence, paralleling Route 4, N 26 degrees 39' 49" W, crossing Route 4 at approximately 500 feet, a total distance of 999.20 feet to a point; thence, N 0 degrees 03' 03" W, 6,191.71 feet to a point; thence, N 20 degrees 18' 44" E, crossing the Clay-Roane County line at approximately 19,500 feet, a total distance of 21,765.93 feet to U.S. Interstate 79 near the Wallback Exit; thence, with said I-79, the following calls: S 79 degrees 36' 02" W, 4,004.45 feet to a point; thence, N 77 degrees 05' 09" W, 1,100.63 feet to a point; thence, N 41 degrees 30' 20" W, 8,596.43 feet to a point; thence, N 79 degrees 05' 06" W, 7,104.38 feet to a point; thence, leaving said I-79, N 38 degrees 35' 29" E, 8,985.61 feet to a point; thence, S 51 degree crossing I-79 at approximately 18,800 feet, a total distance of 20,002.78 feet to a point on the Roane-Clay County line; thence, S 0 degrees 03' 03" W, 9,813.11

221BE

feet to a point; thence, S 36 degrees 54' 48" E, 7,203.87 feet to a point; thence, S 18 degrees 44' 25" W, 10,015.51 feet to a point in WV Secondary Route 36; thence, S 69 degrees 56' 43" W, 12,516.15 feet to the place of beginning and encompassing 8,564 acres more or less.

In support thereof, the said delegation announced to the County Commission that in Clay County, West Virginia, a similar request had been filed for the Creation Public Service District in the described area near the communities of Ovaps, Valley Fork and Wallback. In support of the creation of said public service district, the delegation then presented to the County Commission a Petition requesting the creation of a public service district signed by residents of Newton containing the signatures of one-hundred thirty-seven (137) registered voters who comprised more than thirty (30%) percent of the registered voters residing within the aforesaid bounds of the proposed public service district, within Roane County, West Virginia. The delegation further made known that a similar petition containing more than twenty-five (25%) percent of the registered voters residing within the aforsaid bounds of the proposed public service district within Clay County had been filed in Clay County.

Thereafter, the County Commission determined that a public hearing should be held on the 25th day of June, 1985, before the Roane County Commission in accord with the provisions of statute for providing an opportunity for any persons residing in or having an interest in the property in the proposed district.

Entered nunc pro tunc this 14th day of August, 1990.

President, County Commission and Commissioner as of the date of the original hearing, May 14, 1985.

221EF

County Commissioner

County Commissioner

Approved nunc pro tunc:

County Commissioner sitting as of the date of the original hearing, May 14, 1985.

County Commissioner sitting as of the date of the original hearing, May 14, 1985.

Attested By:

Loretta Knapp, Clerk of the County Commission

Gene M. Ashley, Clerk of the County Commissioner as of May 14, 1985.

221 BG

COUNTY COMMISSION OF ROANE

ROANE COUNTY, WEST VIRGINIA

IN RE: CLAY/ROANE PUBLIC SERVICE DISTRICT

ORDER

There came this 25th day of June, 1985, a delegation from the Communities of Ovapa, Valleyfork, Wallback and Newton, for public hearing for the creation of the Public Service District in accord with the provisions of West Virginia Code Chapter 16 Article 13A Section 2, and the Clerk of the Commission received evidence that, as required by Statute, a Class I Legal Advertisement had been published in a newspaper of general circulation in the territory proposed for the Public Service District and that there had been posted a notice in five conspicuous places within the district for hearing.

The County Commission then conducted a public hearing; received the comments of the public and those persons residing in, owning, or having any interest in the property in the proposed district; and entered its findings as follows:

1. No written protest or other protest has been received by the County Commission in regard to the creation of this Public Service District.

2. It is feasible to have a Public Service District for the areas in the area presented.

3. The area of the Public Service District has been described as required by law.

4. The creation of the Public Service District will be conducive to the preservation of public health, comfort and convenience in the proposed area.

Based on its findings above, the County Commission thereafter

221 H

ORDERED that there shall be created a Public Service District known as the Clay/Roane Public Service District and that the bounds of said Public Service District which shall be located in Clay County and in Roane County shall be as follows:

Beginning at a point south of the intersection of W. V. State Routes 4 and 14; thence, paralleling Route 4, N 26 degrees 39' 49" W, crossing Route 4 at approximately 500 feet, a total distance of 999.20 feet to a point; thence, N 0 degrees 03' 03" W, 6,191.71 feet to a point; thence, N 20 degrees 18' 44" E, crossing the Clay-Roane County line at approximately 19,500 feet, a total distance of 21,765.93 feet to U.S. Interstate 79 near the Wallback Exit; thence, with said I-79, the following calls: S 79 degrees 36' 02" W, 4,004.45 feet to a point; thence, N 77 degrees 05' 09" W, 1,100.63 feet to a point; thence, N 41 degrees 30' 20" W, 8,596.43 feet to a point; thence, N 79 degrees 05' 06" W, 7,104.38 feet to a point; thence, leaving said I-79, N 38 degrees 35' 29" E, 8,985.61 feet to a point; thence, S 51 degrees 24' 30" E, crossing I-79 at approximately 18,800 feet, a total distance of 20,002.78 feet to a point on the Roane-Clay County line; thence, S 0 degrees 03' 03" W, 9,813.11 feet to a point; thence, S 36 degrees 54' 48" E, 7,203.87 feet to a point; thence, S 18 degrees 44' 25" W, 10,015.51 feet to a point in WV Secondary Route 36; thence, S 69 degrees 56' 43" W, 12,516.15 feet to the place of beginning and encompassing 8,564 acres more or less.

Entered nunc pro tunc this _14th_ day of August, 1990.

President, County Commission and Commissioner as of the date of the original hearing June 25, 1985.

221 I

County Commissioner

County Commissioner

Approved nunc pro tunc:

County Commissioner sitting as of the date of the original hearing, June 25, 1985.

County Commissioner sitting as of the date of the original hearing, June 25, 1985.

Attested By:

LORETTA KNAPP, CLERK OF THE COUNTY COMMISSION

GENE M. ASHLEY, CLERK OF THE COUNTY COMMISSION
AS OF JUNE 25, 1985

221 J

BEFORE THE COUNTY COMMISSION OF ROANE

COUNTY, WEST VIRGINIA

IN RE: CLAY/ROANE PUBLIC SERVICE DISTRICT

ORDER

There came this 9th day of July 1985, a delegation from the Communities of Ovapa, Valleyfork, Wallback, and Newton, and asked that the Commission ratify and confirm an Agreement with the Roane County Commission of Clay County, West Virginia, whereunder the Roane County Commission would select one of the Commissioners for the Public Service District and the Clay County Commission would accept two Commissioners for the Public Service District.

Said agreement appearing meet and just, the Commissioners ratified and confirmed same and considered the matter of appointment of members to the Clay/Roane Public Service District.

The Commission then appointed Lee Ellis of Newton to serve a six (6)year term and confirmed the appointment by the Clay County Commission of Karen Dawson of Ovapa to serve a two (2) year term and Paul Rogers of Valleyfork to serve a four (4) year term.

Entered nunc pro tunc this 14th day of August, 1990.

President, County commission and Commissioner as of the date of the original order July 9,1985.

County Commissioner

221 BK

County Commissioner

Approved nunc pro tunc:

County commissioner sitting as of the date of the original hearing, July 9, 1985.

County Commissioner sitting as of the date of the original hearing, July 9, 1985.

Attested By:

Loretta Knapp, Clerk of the County Commission

Gene M. Ashley, Clerk of the County Commission as of July 9, 1985.

221 L

RESOLUTION

Resolution to Deliver Funds to the Clay/Roane Public Service District
Obligated by the Roane County Commission

WHEREAS, the Clay/Roane Public Service District is organized and established under the provisions of Chapter 16, Article 13-A of the Code of West Virginia for the purpose of constructing and operating a water supply distribution system serving users within the Clay County and Roane County area described in plans now on file with the West Virginia Public Service Commission, and

WHEREAS, by resolution and by letter dated April 24, 1990, the Roane County Commission approved to contribute to the "Clay/Roane Public Service District" twenty thousand dollars ($20,000) in accordance to the above conditions of creating a water distribution system for Roane County residents, and

WHEREAS, the Clay/Roane Public Service District is now beginning to operate as a Public Service District creating specific disbursement activity as an operating entity, and

WHEREAS, the committment of these promised funds are now required.

NOW THEREFORE IN CONSIDERATION OF THE FOREGOING, and the mutual agreement hereinafter, be it resolved the Roane County Commission does hereby agree to grant by this resolution, the sum committed of twenty thousand dollars ($20.000) to the Clay/Roane Public Service District.

Roane County Commission

President

ATTEST:

County Clerk

Date Aug. 14, 1990

GARTO & HARDIN INC., SPENCER, W. VA. RE-ORDER NO. 3865-96

ORDER BOOK 31
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PUBLIC HEARING FOR CLAY ROANE PSD BOUNDARY MODIFICATION- JAN.25,2000

A Public Hearing was held this the 25th day of January, 2000, at 6:00PM, on a Petition for the Modification and Change of Boundaries of the Clay Roane Public Service District. Commissioners present were President Larry White, Quellen Keith, and Richard Lance. Also present were Attorney Tom Whittier, Jim Cooper, Keith Kerby, Administrative Assistant Julia Whiting, and County Clerk Charles White. President Larry White called the meeting to order at 6:00PM.

Attorney Tom Whittier asked the Roane County Commission to approve the boundary change as presented, subject to the filing of the proper affidavits and subject to the approval of the Public Service Commission (PSC).

President Larry White asked if there were any comments either for or against the boundary change. None were given.

Richard Lance moved to approve the boundary line extension and modifications , subject to the filing of affidavits and notices and subject to PSC approval. Quellen Keith seconded, vote affirmative.

Quellen Keith moved to adjourn at 6:10PM. Richard Lance seconded, vote affirmative.

PUBLIC HEARING FOR MERGER OF CLAY ROANE PSD
AND PROCIOUS PSD JAN 25,2000

A Public Hearing was held this the 25th day of January, 2000, at 6:22PM, to hear comments on the Merger of the Clay Roane PSD with the Procious PSD. Commissioners present were President Larry White, Quellen Keith, and Richard Lance. Also present were Attorney Tom Whittier, Jim Cooper, Keith Kerby, Robert Hersman, Administrative Assistant Julia Whiting, and County Clerk Charles White. President Larry White called the meeting to order at 6:22PM.

Attorney Tom Whittier presented the Roane County Commission with information about the merger of the Clay Roane PSD with the Procious PSD, which had been approved by the Clay County Commission at a Public Hearing earlier today. Mr. Whittier said that in the merger of the two PSD's there would be a 5 member board, 4 members being appointed by the Clay County Commission and 1 member being appointed by the Roane County Commission. He asked the Roane County Commission to aprove the merger subject to the filing of notices and publications, subject to approval of RUS (Rural Utilities Services), and subject to approval by the Public Service Commission.

President Larry White asked if there were any comments either for or against the merger. No comments were given by anyone present.

Quellen Keith moved to approve the merger of the Clay Roane PSD with the Procious PSD, subject to the filing of notices and publication, subject to approval of RUS, and subject to approval by the Public Service Commission. Richard Lance seconded, vote affirmative.

Quellen Keith moved to adjourn at 6:30PM. Richard Lance seconded, vote affirmative.

REGULAR SESSION JANUARY 25, 2000 AT 7:00PM

The second regular session of the Roane County Commission was held this the 25th day of January, 2000. Commissioners present were President Larry White, Quellen Keith, and Richard Lance. President Larry White called the meeting to order with the Pledge of Allegiance at 7:00PM.

Quellen Keith moved to approve the minutes of the previous meeting as presented. Richard Lance seconded, vote affirmative.

974-B

BEFORE THE COUNTY COMMISSION OF ROANE COUNTY, WEST VIRGINIA:

RE: CLAY ROANE PUBLIC SERVICE DISTRICT
AMMA WATER PROJECT

ORDER

WHEREAS, a Petitioner for a change of boundary lines for Clay Roane Public Service District was filed with the Roane County Commission on the 28th day of December, 1999; and,

WHEREAS, by Order of the Commission a public hearing was set for the 25th day of January, 2000, at 6:00 p.m.; and,

WHEREAS, in accord with the Order of this Commission, notice of said hearing was published in the Times Record, a newspaper of general circulation in Roane County, West Virginia, and in the Clay County Free Press, a newspaper of general circulation in Clay County, West Virginia, ten (10) days prior to the hearing; and,

WHEREAS, there was posted in five (5) conspicuous places within the existing boundaries of the public service district in Clay County, and within five (5) conspicuous places within the existing boundaries of the public service district in Roane County, and at five (5) conspicuous places within the area of the proposed boundary change in Roane County, notices of said meeting; and,

WHEREAS, a public hearing was held on January 25, 2000, at 6:00 p.m. at the County Commission Courtroom in the Roane County Courthouse in Spencer, West Virginia, as advertised.

NOW, THEREFORE, after due consideration, the Roane County Commission, upon a motion made by Richard Lance, seconded by Quellen Keith, all voting aye, does hereby find the following finding of fact:

1. No objection has been raised to the proposed changing of the boundaries of the Clay Roane Public Service District.

2. The only comments made at public hearing were in favor of the boundary change.

3. The boundary change is consistent with the long range plans for the development of water service in Clay and Roane Counties, West Virginia.

4. The area described in the Petition consists of that portion of Geary District of Roane County, West Virginia, not already within the Clay Roane Public Service District.

974-C

5. The southern proposed boundary addition is formed by the county lines of Clay and Kanawha Counties. The west, north and eastern boundaries are formed by the ridge which comprises the high point between the watershed drained by Big Sandy Creek and the watersheds to the north and west. This ridge top presents a natural landmark across which the Clay Roane Public Service District would not be able to provide water without significant pumping and over which other adjoining public service districts would not be able to provide water without providing significant pumping.

6. None of the area within the area of the proposed boundary adjustment is served by any other public service district.

7. No other public service districts have indicated that they have any plans to establish water distribution systems within the area of the proposed boundary adjustment.

Based upon the above findings the Commission believes that it would be in the best interest of Clay and Roane Counties, West Virginia, and the residents served by the Clay Roane Public Service District that the boundaries of the Clay Roane Public Service District be adjusted.

Accordingly it is hereby ORDERED, subject to the approval of the Public Service Commission, that the following boundary be added to the boundaries of the Clay Roane Public Service District as shown on the map and plat filed in this case by the Clay Roane Public District.

It is further ORDERED, as provided by statute, the Clerk of this Court shall send a copy of this Order to the Public Service Commission requesting their approval of the change of the boundary line adjustment for Clay Roane Public Service District.

The description of this area by metes and bounds, courses and distances as required by statute to be added to Clay Roane Public Service District are as follows:

BEGINNING at an existing corner of the Clay-Roane Public Service District boundary, said point being at a latitude of 38° 34' 17" and a longitude of -81° 07' 29" in the common boundary of Roane and Clay Counties and situated approximately 3500 feet northeast along said common boundary from the intersection of the centerline of WV Route 36 and the common boundary of Clay and Roane Counties; thence,

N 38° 00' 00" E approximately 18,854 feet with the common boundary of Clay and Roane Counties to the common corner of Clay, Roane and Calhoun Counties having an approximate latitude of 38° 36' 43" and an approximate longitude of -81° 05' 02"; thence,

with the common boundary of Roane and Calhoun Counties being approximated with chord bearings and distances for the following 21 courses:

N 01° 02' 01" E, 2,736.65 feet to a point; thence,
N 11° 53' 43" W, 1,506.62 feet to a point; thence,
N 70° 07' 17" W, 1,378.20 feet to a point; thence,

974-D

N 10° 42' 01" W, 1,277.68 feet to a point; thence,
S 88° 26' 50" W, 1,921.68 feet to a point; thence,
N 04° 25' 44" E, 1,370.76 feet to a point; thence,
N 21° 48' 12" W, 970.02 feet to a point; thence,
N 85° 02' 50" W, 1,232.85 feet to a point; thence,
N 02° 53' 41" W, 1,459.25 feet to a point; thence,
N 84° 15' 36" W, 1,555.40 feet to a point; thence,
S 28° 51' 09" W, 1,561.12 feet to a point; thence,
S 40° 29' 36" W, 1,841.04 feet to a point; thence,
S 85° 28' 45" W, 2,197.78 feet to a point; thence,
N 54° 10' 09" W, 808.79 feet to a point; thence,
N 60° 15' 27" W, 1,864.87 feet to a point; thence,
N 57° 14' 14" W, 1,988.79 feet to a point; thence,
N 69° 09' 54" W, 1,532.70 feet to a point; thence,
N 40° 36' 14" W, 1,182.64 feet to a point; thence,
S 82° 16' 19" W, 1,510.33 feet to a point; thence,
N 54° 27' 53" W, 2,115.01 feet to a point; thence,
S 69° 41' 08" W, approximately 1,113.42 feet to its intersection with the common boundary of the Geary and Smithfield Magisterial Districts and having an approximate latitude of 38° 38' 38" and an approximate longitude of -81° 09' 32"; thence,

with the common boundary of the Geary and Smithfield Magisterial Districts and leaving the common boundary of Roane and Calhoun Counties, being approximated with chord bearings and distances for the following 45 courses:

S 33° 57' 54" W, 1,262.48 feet to a point; thence,
S 46° 25' 51" W, 2,729.55 feet to a point; thence,
N 46° 25' 22" W, 3,659.54 feet to a point; thence,
N 34° 48' 32" W, 835.63 feet to a point; thence,
N 47° 27' 24" W, 2,118.39 feet to a point; thence,
S 49° 04' 22" W, 2,023.29 feet to a point; thence,
S 51° 10' 22" W, 2,250.44 feet to a point; thence,
N 37° 50' 20" W, 1,394.11 feet to a point; thence,
N 72° 50' 57" W, 906.20 feet to a point; thence,
S 49° 16' 34" W, 1,025.71 feet to a point; thence,
S 06° 42' 38" W, 1,508.14 feet to a point; thence,
S 59° 46' 50" W, 1,167.01 feet to a point; thence,
N 06° 02' 57" W, 1,486.50 feet to a point; thence,
N 37° 14' 14" W, 1,229.64 feet to a point; thence,
S 80° 08' 07" W, 1,371.36 feet to a point; thence,
S 66° 42' 57" W, 1,684.05 feet to a point; thence,
N 24° 31' 47" E, 1,108.36 feet to a point; thence,
N 60° 48' 59" W, 1,244.75 feet to a point; thence,
N 03° 37' 19" W, 1,549.85 feet to a point; thence,
S 56° 41' 30" W, 410.02 feet to a point; thence,
N 71° 21' 07" W, 826.64 feet to a point; thence,
S 68° 47' 41" W, 1,569.23 feet to a point; thence,
N 10° 00' 33" W, 690.11 feet to a point; thence,
N 51° 12' 45" W, 2,744.11 feet to a point; thence,
S 62° 15' 32" W, 1,739.15 feet to a point; thence,
S 13° 26' 39" W, 2,106.54 feet to a point; thence,
S 39° 26' 34" E, 802.37 feet to a point; thence,
S 44° 04' 43" W, 876.46 feet to a point; thence,
N 80° 05' 17" W, 1,045.10 feet to a point; thence,

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N 27° 46' 43" W, 1,479.79 feet to a point; thence,
N 65° 51' 46" W, 827.14 feet to a point; thence,
S 62° 36' 24" W, 3,084.54 feet to a point; thence,
S 73° 42' 19" W, 2,077.77 feet to a point; thence,
S 75° 54' 11" W, 1,168.45 feet to a point; thence,
S 17° 54' 21" W, 1,328.87 feet to a point; thence,
S 80° 40' 41" W, 493.71 feet to a point; thence,
S 04° 52' 28" W, 1,293.94 feet to a point; thence,
S 50° 18' 12" W, 688.48 feet to a point; thence,
S 39° 48' 30" W, 468.36 feet to a point; thence,
S 05° 02' 34" E, 1,364.50 feet to a point; thence,
S 58° 14' 34" W, 740.57 feet to a point; thence,
S 48° 58' 37" W, 1,737.64 feet to a point; thence,
S 11° 28' 59" W, 2,008.86 feet to a point; thence,
S 43° 55' 18" W, 2,017.83 feet to a point; thence,

S 07° 00' 27" E, 423.00± feet to an existing corner of the Walton Public Service District boundary, said corner being the common point in the dividing ridges between the watersheds of Johnson Creek, Hurricane Creek and Little Lefthand Run; and intersection of County Route 54 and 23 at an approximate latitude of 38° 36' 53" and an approximate longitude of -81° 17' 53"; thence,

with the existing boundary of the Walton Public Service District being approximated with chord bearings and distances of the following 34 courses:

S 49° 35' 38" E, 829.34 feet to a point; thence,
S 51° 42' 16" W, 593.03 feet to a point; thence,
S 08° 07' 51" E, 1,348.84 feet to a point; thence,
S 18° 26' 12" W, 947.92 feet to a point; thence,
S 50° 29' 47" E, 1,701.87 feet to a point; thence,
S 42° 47' 48" W, 1,712.39 feet to a point; thence,
S 62° 01' 23" E, 493.75 feet to a point; thence,
S 58° 52' 10" E, 790.65 feet to a point; thence,
S 08° 00' 43" E, 1,238.37 feet to a point; thence,
S 57° 13' 57" E, 3,411.76 feet to a point; thence,
S 29° 49' 20" W, 746.96 feet to a point; thence,
S 07° 35' 02" E, 2,575.17 feet to a point; thence,
S 88° 10' 55" E, 996.36 feet to a point; thence,
S 03° 20' 31" E, 2,204.13 feet to a point; thence,
S 71° 49' 25" W, 1,114.72 feet to a point; thence,
S 31° 18' 13" W, 1,254.43 feet to a point; thence,
S 80° 08' 07" W, 553.54 feet to a point; thence,
N 44° 01' 55" W, 659.53 feet to a point; thence,
S 67° 31' 21" W, 1,240.25 feet to a point; thence,
S 35° 50' 24" W, 2,281.23 feet to a point; thence,
S 30° 38' 28" W, 1,402.31 feet to a point; thence,
S 36° 56' 29" W, 1,315.10 feet to a point; thence,
S 15° 10' 08" W, 1,359.24 feet to a point; thence,
S 73° 00' 11" W, 1,595.08 feet to a point; thence,
S 66° 15' 58" W, 1,217.38 feet to a point; thence,
S 01° 07' 51" W, 1,201.48 feet to a point; thence,
N 61° 36' 33" W, 706.33 feet to a point; thence,
S 58° 29' 00" W, 1,678.11 feet to a point; thence,
N 59° 47' 12" W, 2,387.13 feet to a point; thence,
S 52° 59' 59" W, 682.86 feet to a point; thence,

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S 21° 13' 31" E, 873.24 feet to a point; thence,
S 48° 27' 34" W, 1,339.05 feet to a point; thence,
N 84° 49' 50" W, 1,666.55 feet to a point; thence,
S 43° 22' 53" W, 1,185.23 feet to a point; thence,
S 14° 41' 35" E, approximately 1,339.90 feet to a point in the existing Roane and Kanawha Counties common boundary with an approximate latitude of 38° 32' 23" and an approximate longitude of -81° 20' 19"; thence,

leaving the Walton Public Service District boundary and with the existing Roane and Kanawha Counties common boundary S 79° 33' E approximately 10,162 feet to an existing corner with an approximate latitude of 38° 32' 05" and an approximate longitude of -81° 18' 14"; thence,

with said boundary S 61° 28' E approximately 9,980 feet to an existing corner with an approximate latitude of 38° 31' 17" and an approximate longitude of -81° 16' 26"; thence,

with said boundary N 75° 55' E approximately 15,372 feet to an existing corner with an approximate latitude of 38° 31' 54" and an approximate longitude of -81° 13' 14"; thence,

with said boundary S 78° 18' E approximately 7,682 feet to the common corner of Roane, Kanawha and Clay Counties with an approximate latitude of 38° 31' 39" and an approximate longitude of -81° 11' 39"; thence,

leaving the line of Kanawha County and with the common boundary of Roane and Clay Counties N 52° 47' E approximately 19,543 feet to its point of intersection with the existing Clay-Roane Public Service District line with an approximate latitude of 38° 33' 37" and an approximate longitude of -81° 08' 24"; thence,

with the existing Clay-Roane Public Service District line, N 20° 18' 44" E, approximately 2,326 feet to an existing corner near the Wallback interchange of Interstate 79 with a latitude of 38° 33' 59" and a longitude of -81° 08' 13"; thence,

with said line S 79° 36' 02" W, 4,004.45 feet to an existing corner; thence,
with said line N 77° 05' 09" W, 1,100.63 feet to an existing corner; thence,
with said line N 41° 30' 20" W, 8,596.43 feet to an existing corner; thence,
with said line N 79° 05' 06" W, 7,104.38 feet to an existing corner; thence,
with said line N 38° 35' 29" E, 8,958.61 feet to an existing corner; thence,
with said line S 51° 24' 30" E, 20,002.78 feet to the point of beginning.

The herein described boundary adjustment contains 70.0 square miles, more or less.

APPROVED: January 25, 2000

Larry White, PRESIDENT
Larry White, Roane County Commission

ATTEST:
Charlie White
Charlie White, Clerk

Prepared and Presented by:
T. Whittier
Thomas N. Whittier, West Virginia State Bar Number 4029
HEDGES, JONES, WHITTIER & HEDGES
P.O. Box 7
Spencer, West Virginia 25276

COUNTY COMMISSION OF CLAY

CLAY COUNTY, WEST VIRGINIA

IN RE: CLAY/ROANE PUBLIC SERVICE DISTRICT

ORDER

There came this 28th day of June, 1985, a delegation from the Communities of Ovapa, Valleyfork, Wallback and Newton, for public hearing for the creation of the Public Service District in accord with the provisions of West Virginia Code Chapter 16 Article 13A Section 2, and the Clerk of the Commission received evidence that, as required by Statute, a Class I Legal Advertisement had been published in a newspaper of general circulation in the territory proposed for the Public Service District; that there had been posted a notice in five conspicuous places within the district for hearing; and that a Public Hearing had been held before the Roane County Commission in which there was no opposition to the creation of the Public Service District.

The County Commission then received the comments of the public and those persons residing in, owning, or having any interest in the property in the proposed district, and entered its findings as follows:

1. No written protest or other protest has been received by the County Commission in regard to the creation of this Public Service District.

2. It is feasible to have a Public Service District for the areas in the area presented.

3. The area of the Public Service District has been described as required by law.

4. The creation of the Public Service District will be conducive to the preservation of public health, comfort and convenience in the proposed area.

Based on its findings above, the County Commission thereafter ORDERED that there shall be created a Public Service District known as the Clay/Roane Public Service District and that the bounds of said Public Service District which shall be located in Clay County and in Roane County shall be as follows:

Beginning at a point south of the intersection of W. V. State Routes 4 and 14; thence, paralleling Route 4, N 26 degrees 39' 49" W, crossing Route 4 at approximately 500 feet, a total distance of 999.20 feet to a point; thence, N 0 degrees 03' 03" W, 6,191.71 feet to a point; thence, N 20 degrees 18' 44" E, crossing the Clay-Roane County line at approximately 19,500 feet, a total distance of 21,765.93 feet to U.S. Interstate 79 near the Wallback Exit; thence, with said I-79, the following calls: S 79 degrees 36' 02" W, 4,004.45 feet to a point; thence, N 77 degrees 05' 09" W, 1,100.63 feet to a point; thence, N 41 degrees 30' 20" W, 8,596.43 feet to a point; thence, N 79 degrees 05' 06" W, 7,104.38 feet to a point; thence, leaving said I-79, N 38 degrees 35' 29" E, 8,985.61 feet to a point; thence, S 51 degrees 24' 30" E, crossing I-79 at approximately 18,800 feet, a total distance of 20,002.78 feet to a point on the Roane-Clay County line; thence, S 0 degrees 03' 03" W, 9,813.11 feet to a point; thence, S 36 degrees 54' 48" E, 7,203.87 feet to a point; thence, S 18 degrees 44' 25" W, 10,015.51 feet to a point in WV Secondary Route 36; thence, S 69 degrees 56' 43" W, 12,516.15 feet to the place of beginning and encompassing 8,564 acres more or less.

Entered nunc pro tunc this 13th day of August, 1990.

Clinton Nichols

President, County Commission and Commissioner as of the date of the original hearing, May 13, 1985.

County Commissioner

County Commissioner

Approved nunc pro tunc:

County Commissioner sitting as of the date of the original hearing, May 13, 1985.

County Commissioner sitting as of the date of the original hearing, May 13, 1985.

Attested By:

Secretary

STATE OF WEST VIRGINIA
COUNTY OF CLAY, SS

I, Judy R. Moore, Clerk of the County Commission of Said County and in Said State, do hereby certify that the foregoing is a true copy from the record.

Given under my hand and the seal of Said Commission this

20th day of March, 1997

Judy R. Moore CLERK
CLAY COUNTY COMMISSION
CLAY COUNTY, WEST VIRGINIA

By: Connie W. Workman, Deputy

CLAY COUNTY COMMISSION MINUTES - MAY 9, 1996

PRESENT: R.T. Sizemore, Jr., President, Ronald Haynes, James Sams, Commissioners. Judy R. Moore, Clerk

PRESENT IN THE ROOM: Stephanie Taylor, David Pierson, Jr., Lindy Myers, Lois Hammon, Joyce Myers White, Franklin Childers, Sandra Hanshaw, Steven King, Harald Fields, Thomas N. Whittier, Paul Rogers, Gladys Rogers, Linda S. Rhodes, Andy Waddell, Basil White, Sr., Patrick Beets, Morgan Triplett, Logan Rhodes, Jr., Paul & Brenda Truman, Keith Hypes, D. Jones, Randy Holcomb, Peter S. Triplett, Alex G. Fitzwater

MEETING OPENED WITH PRAYER

PRESIDENT CALLS MEETING TO ORDER

This Commission proceeded with a public hearing as per advertisement that was scheduled for 5:30 p.m. The purpose of the hearing is to receive comments from the public concerning a petition that has been filed with this Commission by the Clay Roane Public Service District to change the boundary lines of said district to include parts of Procious Public Service District and the Town of Clay Public Service District that was previously Maysel Public Service District. Anyone wishing to do so may speak. There was no one in the room who had any comments. The President of this Commission explained that the end results of the change in boundary lines would mean putting water lines through Varneytown to the Summers Fork Road, which has been a missing link. With this addition, it would be possible for the Town of Clay to supply water in an emergency if Procious PSD was not able to do so.

Tom Whittier, Attorney for Clay Roane PSD stated for the record that a letter was sent to the Public Service Commission of the filing of the Petition and informing them of the date and time of this meeting and that notices were posted in 5 places in the community and notice was published in the local newspaper at least 10 days before this hearing.

Motion by James Sams to approve the petition requesting the change in the boundary lines of the Clay Roane Public Service District. Seconded by Ronald Haynes. Motion carried. All aye.

Paul Rogers stated that he has applications available if anyone at the meeting would like to sign-up for the water. Ronald Haynes asked what the starting date would be for the extension of the water lines. Tom Whittier stated that it depends on the Public Service Commission approval of this change. If the PSC would waive hearing, it could be real soon. But, if not hopefully by July.

At this time Janet Buckley with Commercial Insurance Company was present. Mrs. Buckley thanked this Commission for letting her come and speak. She stated that she hoped they would consider keeping her company as their agent for insurance for the county and that this Commission would take under consideration the fact that she offered PENCO to Clay County last year and saved the county over $15,000 in premiums. Mrs. Buckley also stated that the local agent Clay County was using when they were insured under WV Board of Risk could have offered the same insurance and same savings. She stated she hoped this Commission would consider the work she done last year and keep Commercial Insurance as their agent.

This Commission thanked Mrs. Buckley for coming. No decision is made at this time, but Mrs. Buckley will be notified of the decision when it is made.

Lively's Insurance has contacted this Commission about being the agent for PENCO coverage.

Joyce White was present and stated that she is still interested in doing the flea market that she discussed at an earlier meeting. Previously it was discussed with David Pierson about using property between Clay and Bradley Field and also she had asked this Commission about providing a porta-toilet. David Pierson was present and asked if this Commission would consider leasing the property from him for $1, because of liability

purposes? It was suggested that before anything is actually done, they need to check with the Mayor's Office about any type of permits, etc. since it is located within the city limits. No decision was made at this time.

5:45 - Public Meeting was held as per advertisement for Small Cities Block Grant. See separate minutes for this hearing.

At this time Donald Jones was present and asked if this Commission had made a decision about reducing Fola Coal Company fee they pay to the Ambulance Service of $5.00 per employee to $3.00 per employee as requested at the last meeting. Mr. Jones stated that Fola Coal employees 188 people, of which 41 are Clay Co. residents. Mr. Jones also stated that Vandalia Coal has stated that they will continue paying the $5.00 per employee as a public relations contribution.

R.T. Sizemore suggested they lower the fee to $3 and Ronald Haynes stated he concurred. He further stated that Fola Coal has been cooperative, good neighbors and he is glad the company is doing business in Clay County. Motion by Ronald Haynes to lower the $5.00 per employee contribution to $3.00 for Fola Coal Company. Seconded by James Sams. Motion carried. All aye.

Gaylord Taylor was present at this time. He stated that this is the 3rd time he has spoke to this Commission about the mud on the Leatherwood road and that no improvements have been made. He stated that this Commission asked him the last time he was here to contact the WV Division of Highways and that he has done this. Gaylord stated he had talked with the local people as well as Charleston, but nothing has been done. Gaylord said that at a meeting with the Dept. of Highways and officials from both the coal companies last year when they were working on getting the road paved that both coal companies stated that if paving the road did not solve the mud problem, they would install washers. Randy Holcomb was present and he stated that he was in Leatherwood last week and had to stop on the other side of the

hill coming out and when he started out he was spinning and had to put his vehicle in 4-wheel drive because of the mud on the main Leatherwood road.

Harald Fields was present. At a previous meeting Harald Fields was called on the telephone and asked if he could contact his brother who is over the Dept. of Natural Resources and see who he might contact that would help. Harald said there was a meeting held with the WV Surface Mining Association, they in turn contacted Pittston, who then contacted the Superintendent who made promises, but no results have been made. Randy Holcomb, Deputy Sheriff said he took a written complaint about a month ago from Gaylord Taylor and Sibert Osborne. George Schoolcraft stated that he has filed a written complaint with the Dept. of Highways. Harald Fields stated there are laws pertaining to such matters and they have to be enforced. He stated this is a law enforcement problem that would come under the DEP (Dept. of Environmental Protection) problem.

This Commission stated that they would meet at 8:00, Friday, May 10th with the Prosecuting Attorney about writing a letter to the coal companies and possibly attaching copies of the WV Code that pertain to this situation. Gaylord Taylor stated that he would find the VCR Tape they had when the statements were made that they would provide washers.

At this time a discussion was made concerning Enhanced-911. Clay County is considering going in with Nicholas County to provide E-911 to Clay County residents. There is $100,000 available for Clay County through CAEZ for mapping for Clay Co. for the E-911 system. If this money is not utilized for this purpose it will be lost. It was also discussed the possibility of the Legislature passing a law requiring all counties to have E-911 and those that did not would be mandated and be under the control of the State Police at a much higher rate (possibly $5.00 per month).

Motion by James Sams to have public meetings in each area of the county to receive the residents comments and answer questions

pertaining to E-911. Seconded by Ronald Haynes. Motion carried. All aye.

Meetings will be as follows: all meetings at 7:00 p.m.

June 3rd - Lizemore Elementary School

June 4th - H.E. White School

June 5th - Ivydale Elementary School

June 6th - Clay County Courthouse

June 7th - Widen Fire Dept.

June 10th - Valley Fork Elementary School

A decision will have to be made within 60 days as to whether this Commission will be joining Nicholas County for E-911.

7:05 - Commissioner Sams left the meeting.

David Pierson stated that he was told unofficially that Glada Lanham had resigned as Director of the Ambulance Service. R.T. Sizemore stated that Glada had made a statement that if she was forced to do certain things she would quit. This was made after the close of the last meeting. The next day Commissioner Sams and Sizemore went and talked with Glada and she said she was not quitting.

R.T. Sizemore told David it was a fabulous response on the tragic accident that happened on Thursday (May 8th) at Bickmore, both the Fire Dept. and the Ambulance Service. David said it was a good response and there is no reason they should not be able to work together on all accidents the same way.

Motion by Ronald Haynes to approve the minutes of the previous meetings. Seconded by R.T. Sizemore, Jr. Motion carried. All aye.

Motion by Ronald Haynes to approve the Clerk's financial statement for month of April, 1996 and noted that all accounts are in good shape. Seconded by R.T. Sizemore, Jr. Motion carried. All aye.

Motion by Ronald Haynes to approve the bills as submitted. Seconded by R.T. Sizemore, Jr.Motion carried.All aye.

Motion by Ronald Haynes to approve all budget revisions as submitted. No. 10-07 Gen Co. fund transfer within the account of Pros. Atty; No. 10-08 transfer within the account of Assessor; No. 7 - coal severance fund transferring $3,000 from 401-59 to 421-69 (Comm. Dev. contr.) of which $2,500 of this revision is designated for payment of an invoice received from RJAnkrom Assoc. for professional design for Clay Co. Park; no. 8 - coal severance transferring $543 from 441-13 to 441-41, trahsferring $8.00 from 441-06 to 441-03, transferring $2.00 from 441-15 to 441-03 and transferring $1.00 from 441-15 to 441-04; No. 14 General County fund receipting in the $50,000 from the State under State Government Grants for the Clay County Park and expenditure account no. 540; No. 15 General County fund transferring $2160 from 460-23 to 404-12 ($1410) and $750 to 404-20 Seconded by R.T. Sizemore, Jr. Motion carried. All aye.

Motion by Ronald Haynes to approve the erroneous assessment as submitted by the Assessor. Seconded by R.T. Sizemore, Jr. Motion carried. All aye.

Motion by Ronald Haynes to approve the appointments of the estates as done by the Clerk in vacation. Seconded by R.T. Sizemore. Motion carried. All aye.

Motion by Ronald Haynes to approve the final settlements of estates as presented. Seconded by R.T. Sizemore, Jr. Motion carried. All aye.

Motion by Ronald Haynes to approve the real estate consolidation for James R. Payne. Seconded by R.T. Sizemore, Jr. Motion carried.. All aye.

Motion by Ronald Haynes to approve the license to celebrate the Rites of Matrimony for Randy Jeffrey. Seconded by R.T. Sizemore, Jr. Motion carried. All aye.

No action taken at this time on a letter presented by Jerry Copeland for Elk River Real estate exoneration.

The janitor is to check-out the rock wall at the old courthouse that Glada Lanham mentioned needs fixing.

Letter from John Hoff, County Officials Association was presented concerning the Deputy Sheriff's pay that is now before the Supreme Court. Commission will talk with the Prosecuting Attorney about this.

Motion by Ronald Haynes to approve a resolution accepting the contract between WV Development Office and the Clay County Commission for a Small Cities Block Grant in behalf of CAEZ of $50,000 for site planning and the President of this Commission is authorized to sign all contracts. Seconded by R.T. Sizemore, Jr. Motion carried. All aye.

The termite problem was discussed. The janitor is to be instructed to spray weekly. No other action at this time.

The contract with Dover Elevator for load safety test was not approved. Other companies are to be checked out to compare prices.

A request from the Extension Office was presented for additional monies for the 1996-97 fiscal year. This will be taken under consideration when the budget is revised in July.

This Commission was informed that Procious PSD has broken windshield that will be turned in on the county's insurance. The PSD will have to pay the $250 deductible.

An amendment to the by-laws of the Parks & Recreation was presented.. No action at this time.

Presented at this time was a letter from Spillman, Thomas & Battle for attorney fees on the Procious PSD case for $8,522. This Commission takes no action at this time as they did not agree to pay the attorney fees, only $3,000 for a retainer fee.

Presented was a letter from Primary Health requesting permission to deduct certain bills from their rent. This Commission does not approve this request.

Clerk informed the Commission of a meeting Monday, May 13th at 10:00 a.m. at the CAEZ Office with the WV Development Office.

There being no further business to come before this Commission at this time, we do hereby adjourn until Friday, May 10th at 8:00 a.m.

Given under our hands this the 9th day of May, 1996.

_____ PRESIDENT
_____ COMMISSIONER
_____ COMMISSIONER

ATTEST: _____ CLERK

STATE OF WEST VIRGINIA
COUNTY OF CLAY, SS

I, Judy R. Moore, Clerk of the County Commission of Said County and in Said State, do hereby certify that the foregoing is a true copy from the record.

Given under my hand and the seal of Said Commission this

30th day of March, 1997

Judy R. Moore CLERK
CLAY COUNTY COMMISSION
CLAY COUNTY, WEST VIRGINIA
By: Connie W. Workman, Deputy

BEFORE THE COUNTY COMMISSION OF CLAY COUNTY

A RESOLUTION AND ORDER TO CHANGE THE BOUNDARY LINES OF

CLAY ROANE PUBLIC SERVICE DISTRICT,

A PORTION OF THE TOWN OF CLAY WATER SERVICE AREA,

FORMERLY DESIGNATEDAS THE MAYSEL PUBLIC SERVICE DISTRICT

AND THE PROCIOUS PUBLIC SERVICE DISTRICT

WHEREAS, The County Commission of Clay County, West Virginia did, heretofore, by Resolution and Order adopted on April 23, 1996, propose a change in the boundary lines of the Clay County Public Service District to provide water and sewer service, and

WHEREAS, by said April 23, 1996 Resolution and Order, the County Commission did set a hearing on the proposed changes for May 9, 1996 at 5:30 p.m., required notice of said hearing be given by Class I legal publication and by posting of notice in at least five (5) conspicuous places within the territory of the public service district, and required the Clerk of the County Commission to cause a copy of the Resolution and Order to be filed with the Executive Secretary of the PUblic Service Commission, and

WHEREAS, notice of the June 30, 1995 hearing has been given in the manner provided and required by said Resolution and Order and by West Virginia Code (16-13A-2) and all interested parties have been afforded an opportunity of being heard for and against the changes in the boundary lines of the Clay County Public Service District, but no written ptorest has been filed by the requisite number of qualified voters registered and residing within the existing boundaries of the public service district.

WHEREAS, it is now deemed desirous by said County Commission to adopt a Resolution and Order to change the boundary lines as requested in the petition.

NOW, THEREFORE, BE IT, AND IT IS HEREBY RESOLVED AND ORDERED by the County Commission of Clay County as follows:

1. That the County Commission of Clay County, West Virginia, upon its own motion, subject to the approval of the PUblic Service Commission of West Virginia, does hereby change the boundary lines of Clay Roane Public Service District, portion of the Town of Clay water service area formerly designated as the Maysel Public Service District and the Procious Public Service District as heretofore set out.

2. That the Clerk of the County Commission shall cause a copy of this Resolution and Order to be filed with the Executive Secretary of the Public Service Commission within ten (10) days following the adoption hereof.

ENTERED into the permanent record of Clay County, West Virginia, this the 9th day of May, 1996.

R B Symons
PRESIDENT

Ronald Haynes
COMMISSIONER

James Sams
COMMISSIONER

ATTEST: Judy L. Moore CLERK

BEFORE THE COUNTY COMMISSION OF CLAY COUNTY, WEST VIRGINIA

IN RE:

PETITION OF MERGER OF PROCIOUS PUBLIC SERVICE DISTRICT AND CLAY ROANE PUBLIC SERVICE DISTRICT

ORDER

WHEREAS, a Petition for the merger of Procious Public Service District and Clay Roane Public Service District was filed with the Clay County Commission on the 28th day of December, 1999; and,

WHEREAS, by such Petition a public hearing was advertised and held on the 25th day of January, 2000, at 10:00 a.m. Notice of said hearing was published in the local newspaper as a Class I legal advertisement at least ten (10) days prior to the hearing and at least five (5) notices were posted in each of the public service districts; and,

WHEREAS, the public hearing was held and a list of those present is attached and made a part of this order. Both public service districts were represented by at least one member of the boards; and,

WHEREAS, a resolution was proposed, subject to the approval of the Public Service Commission of West Virginia and the United States Department of Agriculture Rural Utility Service, and upon motion by Tim Butcher, seconded by James Sams, and unanimously approved, the Commission voted grant the relief prayed in the Petition.

NOW THEREFORE be it and it is hereby RESOLVED and ORDERED by the County Commission as follows:

1. The Commission hereby expressly finds that it is in the best interest of the citizens of Clay and Roane Counties that a merger of the Procious Public Service District and the Clay Roane Public Service District would be in the best interest of the citizens of Clay and Roane Counties and would be conducive the to preservation of the public health and convenience of the entire area.

2. It is accordingly ORDERED that the Procious Public Service District and the Clay Roane Public Service District be, subject to approvals of the West Virginia Public Service Commission and the United States Department of Agriculture Rural Utility Service, merged.

3. The entity created as a result of the merger shall be known as the Clay Roane Public Service District.

4. The entity created as a result of the merger shall have a board of five (5) members subject to the following requirements:

A. Two (2) members shall be from the area in Clay County heretofore served by the Procious Public Service District with the initial two (2) members being from the existing board of Procious Public Service District; one (1) for a two year term and one (1) for a four year term.

B. Two (2) members shall be from the area in Clay County heretofore served by the Clay Roane Public Service District. The initial two (2) members shall be appointed from the existing board for Clay Roane Public Service District; one (1) for a two year term and one (1) for a four year term.

C. One (1) members shall be from the area of Roane County to be served by the merged Public Service Districts.

5. The Commission ORDERS that to the extent it may do so, it approves, adopts, ratifies and confirms the Asset Purchase Agreement dated October 7, 1999, by and between the Procious Public Service District and the Clay Roane Public Service District.

Enter this 25th day of January, 2000.

James Sams

James Sams, President of Clay County Commission

Tim Butcher

Tim Butcher, Commissioner

STATE OF WEST VIRGINIA
COUNTY OF CLAY, SS

I, Judy R. Moore, Clerk of the County Commission of Said County and in Said State, do hereby certify that the foregoing is a true copy from the record.

Given under my hand and the seal of Said Commission this

26th day of Sept., 19 2001

Judy R. Moore CLERK

CLAY COUNTY COMMISSION
CLAY COUNTY, WEST VIRGINIA

IN RE: PUBLIC HEARING ON PETITION FOR CHANGE OF BOUNDARY LINES FOR CLAY ROANE PUBLIC SERVICE DISTRICT

WHEREAS, a Petition for a change of boundary lines for Clay Roane Public Service District was filed with the Clay County Commission on the 28th day of December, 1999.

WHEREAS, by such petition a public hearing was advertised and held on the 25th day of January, 2000 at 10:00 a.m. Notice of said hearing was published in the local newspaper as a Class I legal advertisement at least ten (10) days prior to the hearing and at least five notices were posted in each of the public service districts.

WHEREAS, the public hearing was held and a list of those present is attached and made a part of this order.

NOW, THEREFORE, after due consideration, the Clay County Commission, upon a motion made by Tim Butcher, seconded by James Sams, all voting aye, does hereby approve the change of boundary lines for Clay Roane Public Service District, upon the approval of the Roane County Commission and the Public Service Commission. The legal description of the area proposed to be added to the Clay Roane Public Service District comprises approximately 70 square miles of Roane County. It consists of that portion of Geary District of Roane County, West Virginia, not already within the Clay Roane Public Service District. The southern proposed boundary addition is formed by the county lines of Clay and Kanawha Counties. The west, north and eastern boundaries are formed by the ridge which comprises the high point

between the watershed drained by Big Sandy Creek and the watersheds to the north and west. This ridge top presents a natural landmark across which the Clay Roane Public Service District would not be able to provide water without significant pumping and over which other adjoining public service districts would not be able to provide water without providing significant pumping.

This boundary is such that it brings the boundary of Clay Roane Public Service District to the boundaries of the Walton Public Service District on the west, the boundary of the Procious public Service District; the Big Sandy Water Public Service District on the south, the Clover Public Service District on the north, and the Calhoun County and Clay County lines on the east. Petitioner believes that these boundaries are natural boundaries and that adopting these boundaries would be consistent with the long range plans for the development of water service in Clay and Roane Counties.

The description of this area by metes and bounds, courses and distances as required by statute to be added to Clay Roane Public Service District are as follows:

BEGINNING at an existing corner of the Clay-Roane Public Service District boundary, said point being at a latitude of 38° 34' 17" and a longitude of -81° 07' 29" in the common boundary of Roane and Clay Counties and situated approximately 3500 feet northeast along said common boundary from the intersection of the centerline of WV Route 36 and the common boundary of Clay and Roane Counties; thence,

N 38° 00' 00" E approximately 18,854 feet with the common boundary of Clay and Roane Counties to the common corner of Clay, Roane and Calhoun Counties having an approximate latitude of 38° 36' 43" and an approximate longitude of -81° 05' 02"; thence,

WITH THE COMMON boundary of Roane and Calhoun Counties being approximated with chord bearings and distances for the following 21 courses:

N 01° 02' 01" E, 2,736.65 feet to a point; thence,
N 11° 53' 43" W, 1,506.62 feet to a point; thence,
N 70° 07' 17" W, 1,378.20 feet to a point; thence,
N 10° 42' 01" W, 1,277.68 feet to a point; thence,
S 88° 26' 50" W, 1,921.68 feet to a point; thence,

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N 04° 25' 44" E, 1,370.76 feet to a point; thence,

N 21° 48' 12" W, 970.02 feet to a point; thence,

N 85° 02' 50" W, 1,232.85 feet to a point; thence,

N 02° 53' 41" W, 1,459.25 feet to a point; thence,

N 84° 15' 36" W, 1,555.40 feet to a point; thence,

S 28° 51' 09" W, 1,861.12 feet to a point; thence,

S 40° 29' 36" W, 1,841.04 feet to a point; thence,

S 85° 28' 45" W, 2,197.78 feet to a point; thence,

N 54° 10' 09" W, 808.79 feet to a point; thence,

N 60° 15' 27" W, 1,864.87 feet to a point; thence,

N 57° 14' 14" W, 1,988.79 feet to a point; thence,

N 69° 09' 54" W, 1,532.70 feet to a point; thence,

N 40° 36' 14" W, 1,182.64 feet to a point; thence,

S 82° 16' 19" W, 1,510.33 feet to a point; thence,

N 54° 27' 53" W, 2,115.01 feet to a point; thence,

S 69° 41' 08" W, approximately 1,113.42 feet to its intersection with the common boundary of the Geary and Smithfield Magisterial Districts and having an approximate latitude of 38° 38' 38" and an approximate longitude of -81° 09' 32"; thence,

with the common boundary of the Geary and Smithfield Magisterial Districts and leaving the common boundary of Roane and Calhoun Counties, being approximated with chord bearings and distances for the following 45 courses:

S 33° 57' 54" W, 1,262.48 feet to a point; thence,

S 46° 25' 51" W, 2,729.55 feet to a point; thence,

N 46° 25' 22" W, 3,659.54 feet to a point; thence,

N 34° 48' 32" W, 835.63 feet to a point; thence,

N 47° 27' 24" W, 2,118.39 feet to a point; thence,

S 49° 04' 22" W, 2,023.29 feet to a point; thence,

S 51° 10' 22" W, 2,250.44 feet to a point; thence,

N 37° 50' 20" W, 1,394.11 feet to a point; thence,

N 72° 50' 57" W, 906.10 feet to a point; thence,

S 49° 16' 34" W, 1,025.71 feet to a point; thence,

S 06° 42' 38" W, 1,508.14 feet to a point; thence,

S 59° 46' 50" W, 1,167.01 feet to a point; thence,

N 06° 02' 57" W, 1,486.30 feet to a point; thence,

N 37° 14' 14" W, 1,229.64 feet to a point; thence,

S 80° 08' 07" W, 1,371.36 feet to a point; thence,

S 66° 42' 57" W, 1,684.05 feet to a point; thence,

N 24° 31' 47" E, 1,108.36 feet to a point; thence,

N 60° 48' 59" W, 1,244.75 feet to a point; thence,

N 03° 37' 19" W, 1,549.85 feet to a point; thence,

S 56° 41' 30" W, 410.02 feet to a point; thence,

N 71° 21' 07" W, 826.64 feet to a point; thence,

S 68° 47' 41" W, 1,569.23 feet to a point; thence,

N 10° 00' 33" W, 690.11 feet to a point; thence,

N 51° 12' 45" W, 2,744.11 feet to a point; thence,

S 62° 15' 32" W, 1,739.15 feet to a point; thence,

S 13° 26' 39" W, 2,106.54 feet to a point; thence,

S 39° 26' 34" E, 802.37 feet to a point; thence,

S 44° 04' 43" W, 876.46 feet to a point; thence,

N 80° 05' 17" W, 1,045.10 feet to a point; thence,

N 27° 46' 43" W, 1,479.79 feet to a point; thence,

N 65° 51' 46" W, 827.14 feet to a point; thence,

S 62° 36' 24" W, 3,084.54 feet to a point; thence,

S 73° 42' 19" W, 2,077.77 feet to a point; thence,

S 75° 54' 11" W, 1,168.45 feet to a point; thence,

S 17° 54' 21" W, 1,328.87 feet to a point; thence,

S 80° 40' 41" W, 493.71 feet to a point; thence,

S 04° 52' 28" W, 1,293.94 feet to a point; thence,

S 50° 18' 12" W, 688.48 feet to a point; thence,

S 39° 48' 30" W, 468.36 feet to a point; thence,

S 05° 02' 34" E, 1,364.50 feet to a point; thence,

S 58° 14' 34" W, 740.57 feet to a point; thence,

S 48° 58' 37" W, 1,737.64 feet to a point; thence,

S 11° 28' 59" W, 2,808.86 feet to a point; thence,

S 43° 55' 18" W, 2,017.83 feet to a point; thence,

S 07° 00' 27" E, 423.00± feet to an existing corner of the Walton Public Service District boundary, said corner being the common point in the dividing ridges between the watersheds of Johnson Creek, Hurricane Creek and Little Lefthand Run; and intersection of County Route 54 and 23 at an approximate latitude of 38° 36' 53" and an approximate longitude of -81° 17' 53"; thence,

with the existing boundary of the Walton Public Service District being approximated with chord bearings and distances of the following 34 courses:

S 49° 34' 38" E, 829.34 feet to a point; thence,

S 51° 42' 16" W, 593.03 feet to a point; thence,

S 08° 07' 51" E, 1,348.84 feet to a point; thence,

S 18° 26' 12" W, 947.92 feet to a point; thence,

S 58° 29' 47" E, 1,701.87 feet to a point; thence,

S 42° 47' 48" W, 1,712.39 feet to a point; thence,

S 62° 01' 23" E, 493.75 feet to a point; thence,

S 58° 52' 10" E, 790.65 feet to a point; thence,

S 08° 00' 43" E, 1,238.37 feet to a point; thence,

S 57° 13' 57" E, 3,411.76 feet to a point; thence,

S 29° 49' 20" W, 746.96 feet to a point; thence,

S 07° 35' 02" E, 2,575.17 feet to a point; thence,

S 88° 10' 55" E, 996.36 feet to a point; thence,

S 03° 20' 31" E, 2,204.13 feet to a point; thence,

S 71° 49' 25" W, 1,114.72 feet to a point; thence,

S 31° 18' 13" W, 1,254.43 feet to a point; thence,

S 80° 08' 07" W, 553.54 feet to a point; thence,

N 44° 01' 55" W, 659.53 feet to a point; thence,

S 67° 31' 21" W, 1,240.25 feet to a point; thence,

S 35° 50' 24" W, 2,281.23 feet to a point; thence,

S 30° 38' 28" W, 1,482.31 feet to a point; thence,

S 36° 56' 29" W, 1,315.10 feet to a point; thence,

S 45° 10' 08" W, 1,359.24 feet to a point; thence,

S 73° 00' 11" W, 1,595.08 feet to a point; thence,

S 66° 15' 58" W, 1,317.38 feet to a point; thence,

S 01° 07' 51" W, 1,201.48 feet to a point; thence,

N 61° 36' 33" W, 706.33 feet to a point; thence,

S 58° 29' 00" W, 1,678.11 feet to a point; thence,

N 59° 47' 12" W, 2,387.13 feet to a point; thence,

S 52° 59' 59" W, 682.86 feet to a point; thence,

S 21° 13' 31" E, 873.24 feet to a point; thence,

S 48° 27' 34" W, 1,339.05 feet to a point; thence,

N 84° 49' 50" W, 1,666.55 feet to a point; thence,

S 43° 22' 53" W, 1,185.23 feet to a point; thence,

S 14° 41' 35" E, approximately 1,339.90 feet to a point in the existing Roane and Kanawha Counties common boundary with an approximate latitude of 38° 32' 23" and an approximate longitude of -81° 20' 19"; thence,

leaving the Walton Public Service District boundary and with the existing Roane and Kanawha Counties common boundary S 79° 33' E approximately 10,162 feet to an existing corner with an approximate

latitude of 38° 32' 05" and an approximate longitude of -81° 18' 14"; thence,

with said boundary S 61° 28' E approximately 9,980 feet to an existing corner with an approximate latitude of 38° 31' 17" and an approximate longitude of -81° 16' 26"; thence.

with said boundary N 75° 55' E approximately 15,372 feet to an existing corner with an approximate latitude of 38° 31' 54" and an approximate longitude of -81° 13' 14"; thence.

with said boundary S 78° 18' E approximately 7,682 feet to the common corner of Roane, Kanawha and Clay Counties with an approximate latitude of 38° 31' 39" and an approximate longitude of -81° 11' 39"; thence,

leaving the line of Kanawha County and with the common boundary of Roane and Clay Counties N 52° 47' E approximately 19,543 feet to its point of intersection with the existing Clay-Roane Public Service District line with an approximate latitude of 38° 33' 37" and an approximate longitude of -81° 08' 21"; thence,

with the existing Clay-Roane Public Service District line, N 20° 18' 44" E, approximately 2,326 feet to an existing corner near the Wallback interchange of Interstate 79 with a latitude of 38° 33' 59" and a longitude of -81° 08' 13"; thence.

with said line S 79° 36' 02" W, 4,004.45 feet to an existing corner; thence,

with said line N 77° 05' 09" W, 1,100.63 feet to an existing corner; thence.

with said line N 41° 30' 20" W, 8,596.43 feet to an existing corner; thence.

with said line N 79° 05' 06" W, 7,104.38 feet to an existing corner; thence.

with said line N 38° 35' 29" E, 8,958.61 feet to an existing corner; thence.

with said line S 51° 24' 30" E, 20,002.78 feet to the point of beginning.

The herein described boundary adjustment contains 70.0 square miles, more or less.

A copy of this order is to be sent to the Public Service Commission requesting their approval of the change of boundary lines for Clay Roane Public Service District.

APPROVED: JANUARY 25, 2000

James Sams, PRESIDENT
CLAY COUNTY COMMISSION

[illegible], COMMISSIONER
CLAY COUNTY COMMISSION

40/300

IN RE: GARY WHALING RE-APPOINTED TO CLAY ROANE PUBLIC SERVICE DISTRICT

This Commission does hereby re-appoint Gary Whaling to the Clay Roane Public Service District for a term expiring June 30, 2007. Said appointment is hereby in all respects approved.

APPROVED: JUNE 26, 2001

CLAY COUNTY COMMISSION, PRESIDENT

40/300

STATE OF WEST VIRGINIA
COUNTY OF CLAY, SS

I, Judy R. Moore, Clerk of the County Commission of Said County and in Said State, do hereby certify that the foregoing is a true copy from the record.

Given under my hand and the seal of Said Commission this 11th day of Sept., 2001

Judy R. Moore CLERK,
CLAY COUNTY COMMISSION
CLAY COUNTY, WEST VIRGINIA

IN RE: MELISSA POSTELWAIT AND DAVID SAULSGIVER
REAPPOINTED TO CLAY ROANE PUBLIC SERVICE DISTRICT

This Commission does hereby reappoint Melissa Postelwait and David Saulsgiver to the Clay Roane Public Service District, whose term of office will expire October 1, 2009.

APPROVED: SEPTEMBER 22, 2003

James Sams, PRESIDENT
CLAY COUNTY COMMISSION

IN RE: APPOINTMENT OF GLEN SUTTON TO THE CLAY ROANE PUBLIC SERVICE DISTRICT.

This Commission does hereby appoint Glen Sutton to the Clay Roane Public Service District due to the resignation of Telford G. Cruikshank, Jr. The term of office will expire October 1, 2005. Said appointment is hereby in all respects approved.

APPROVED: MAY 20, 2002

Matthew S. Bragg, PRESIDENT

Roane County Commission

200 Main Street
Spencer, West Virginia 25276
Phone: 304-927-0078
Fax: 304-927-0079

Judith A. Fouty, President

Richard J. Lance

Rodney D. Cox

April 16, 2004

Clay Roane Public Service District
P. O. Box 228
Procious, WV 25164

This letter is to advise that the Roane County Commission on Thursday, April 15, 2004, formally appointed the following individual as Roane County's representative to the Clay Roane Public Service District Board of Directors:

Susan Beard
4829 Amma Road
Amma, WV 25005
Home Phone: 586-3419
Work Phone: 346-7595
E-mail: mbeard@hawkenet.net

Susan was appointed to a full six-year term beginning on April 15, 2004, and ending on March 31, 2010, as we were unable to provide a replacement appointment to fill the unexpired term vacated by Larry White within the specified thirty-day period.

If you need anything further from our office, please don't hesitate to contact us.

Sincerely,

Judy Fouty KSH

Judith A. Fouty, President
Roane County Commission

JAF/ksh
Copy: Susan Beard

OATH OF OFFICE AND CERTIFICATE

STATE OF WEST VIRGINIA, COUNTY OF CLAY, TO-WIT:

I do solemnly swear that I will support the Constitution of the United States and the Constitution of the State of West Virginia, and that I will faithfully discharge the duties of the office of Clay Roane Public Service Dist to the best of my skill and judgment SO HELP ME GOD.

(Signature of affiant) Glen Sutton

Subscribed and sworn to before me, in said County and State, this 13th day of June, 2002.

Judy L. Moore, Clerk

CLAY COUNTY, TO-WIT:

Be it remembered that on the 13 day of June, 2002 this oath was presented in the Clerk's Office of the County Commission of said County and recorded according to law.

Teste: Judy L. Moore
Clerk Clay County Commission

Gary Whaling

OATH OF OFFICE AND CERTIFICATE

STATE OF WEST VIRGINIA, COUNTY OF CLAY, TO-WIT:

I do solemnly swear that I will support the Constitution of the United States and the Constitution of the State of West Virginia, and that I will faithfully discharge the duties of the office of Clay Roane Public Service District to the best of my skill and judgment SO HELP ME GOD.

(Signature of affiant) Gary A. Whaling

Subscribed and sworn to before me, in said County and State, this 11th day of October, ~~19~~2001.

Connie W. Wakman, Deputy Co. Clerk
Clay Co. Commission

CLAY COUNTY, TO-WIT:

Be it remembered that on the 11th day of October, ~~19~~2001 this oath was presented in the Clerk's Office of the County Commission of said County and recorded according to law.

Teste: Judy R. Moore, Clerk
Clerk Clay County Commission

10:

CASTO & HARRIS INC., SPENCER, W. VA. RE-ORDER NO 54278

State of West Virginia,

County of Roane, to-wit:

I do solemnly swear that I will support the Constitution of the United States and the Constitution of the State of West Virginia, and that I will faithfully discharge the duties of the office of Clay Roane Public Service District in and for the said County to the best of my skill and judgment: So Help Me God.

(Signature of affiant) Mhoan Beard

Subscribed and sworn to before me, in said County and State, this 21st day of October 2004

Charles B. White Jr

WEST VIRGINIA,

Roane County Commission Clerk's Office, October 21 2004.

This day the foregoing oath and certificate was duly admitted to record herein.

Attest: Charles B. White Jr
Clerk County Commission.

COUNTY CLERK'S CERTIFICATION

STATE OF WEST VIRGINIA
COUNTY OF ROANE

I, Charles B. White, Jr., Clerk of the County Commission of Roane County, the same being a Court of Record, having the custody of the Files, Journals and Records of said Court, do certify that the foregoing is a true and accurate copy as the same appears of record in County Order Book # 5, at page 103, and I further certify that I have carefully compared the foregoing copy with the original record, and that the same is a full and correct transcript thereof.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of said Commission, at Spencer, Roane County, West Virginia, this the 21st day of October, 2004.

CHARLES B. WHITE, JR., CLERK
ROANE COUNTY COMMISSION

By: Charles B. White Jr
Clerk

(SEAL)

OATH OF OFFICE AND CERTIFICATE

STATE OF WEST VIRGINIA, COUNTY OF CLAY, TO-WIT:

I do solemnly swear that I will support the Constitution of the United States and the Constitution of the State of West Virginia, and that I will faithfully discharge the duties of the office of Clay Roane Public Service Dist to the best of my skill and judgment SO HELP ME GOD.

(Signature of affiant) David Saulsgum

Subscribed and sworn to before me, in said County and State, this the 5th day of Nov., 20 04.

Judy K. Moore, Clerk
Clay Co. Commission

CLAY COUNTY, TO-WIT:

Be it remembered that on the 5th day of Nov., 20 04 this oath was presented in the Clerk's Office of the County Commission of said County and recorded according to law.

Teste: Judy K. Moore
Clerk Clay County Commission

OATH OF OFFICE AND CERTIFICATE

STATE OF WEST VIRGINIA, COUNTY OF CLAY, TO-WIT:

I do solemnly swear that I will support the Constitution of the United States and the Constitution of the State of West Virginia, and that I will faithfully discharge the duties of the office of Clay Roane Public Service Dist to the best of my skill and judgment SO HELP ME GOD.

(Signature of affiant) Melissa Postelwait
Melissa Postelwait

Subscribed and sworn to before me, in said County and State, this the 1st day of Nov., 20 04.

Judy R. Moore, Clerk

CLAY COUNTY, TO-WIT:

Be it remembered that on the 1st day of Nov., 20 04 this oath was presented in the Clerk's Office of the County Commission of said County and recorded according to law.

Teste: Judy R. Moore
Clerk Clay County Commission

REVISED AND REENACTED RULES OF PROCEDURE

CLAY-ROANE PUBLIC SERVICE DISTRICT

ARTICLE I

NAME AND PLACE OF BUSINESS

Section 1. The name of this Public Service District shall be CLAY-ROANE PUBLIC SERVICE DISTRICT (the "District").

Section 2. The principal office of the District will be located in Procious, West Virginia.

Section 3. The official seal of the District shall consist of 2 concentric circles between which circles shall be inscribed Clay-Roane Public Service District, and in the center "seal" as follows:

Section 4. The fiscal year of the District shall begin on the 1st day of July in each year and shall end on June 30 of the following year.

ARTICLE II

PURPOSE

Section 1. The District is organized and operated exclusively for the purposes set forth in Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Act").

ARTICLE III

MEMBERSHIP

Section 1. The members of the Public Service Board of the District (the "Board") shall be those persons appointed by The County Commissions of Clay and Roane Counties, West Virginia (the "County Commissions"), or otherwise appointed pursuant to the Act, who shall serve for such terms as may be specified in the orders of the County Commissions or otherwise.

Section 2. Should any member of the Board resign or otherwise become legally disqualified to serve as a member of the Board, the District shall immediately notify the County Commissions or other entity provided under the Act and request the appointment of a qualified person to fill such vacancy. Prior to the end of the term of any member of the Board, the District shall notify the County Commissions or other entity provided under the Act of the pending termination and request the County Commissions or other entity provided under the Act to enter an order of appointment or re-appointment to maintain a fully qualified membership of the Board.

Section 3. The District shall provide to the Public Service Commission of West Virginia, within 30 days of the appointment, the following information: the new board member's name, home address, home and office phone numbers, date of appointment, length of term, who the new member replaces and if the new appointee has previously served on the board, and such other information required under the Act.

Section 4. Each board member shall, within 6 months of taking office, successfully complete the training program established and administered by the Public Service Commission of West Virginia in conjunction with the West Virginia Department of Environmental Protection and the West Virginia Bureau for Public Health.

Section 5. Board members shall not be or become pecuniarily interested, directly or indirectly, in the proceeds of any contract or service, or in furnishing any supplies or materials to the District, nor shall a former board member be hired by the District in any capacity within a minimum of 12 months after such board member's term has expired or after such board member has resigned from the Board.

Section 6. Salaries of the board members shall be established as provided in Chapter 16, Article 13A, Section 4 of the Act. The District shall certify the number of customers served to the Public Service Commission of West Virginia on the first day of July each year. Board members may be reimbursed for all reasonable and necessary expenses actually incurred in the performance of their duties.

Section 7. The members of the Board are not personally liable or responsible for any obligations of the District or the Board but are answerable only for willful misconduct in the performance of their duties.

ARTICLE IV

MEETINGS OF THE BOARD

Section 1. The members of the Board shall hold regular monthly meetings on such days of each month and at such place and hour as the members shall determine from time to time. If the day stated shall fall on a legal holiday, the meeting shall be held on the following day. Special meetings of the Board may be called at any time by the Chairperson or by a quorum of the Board.

Section 2. At any meeting of the Board, a majority of the members of the Board shall constitute a quorum. Each member of the Board shall have one vote at any meeting and if a quorum is not present, those present may adjourn the meeting to a later date.

Section 3. Unless otherwise waived, notice to members of regular meetings shall be by letter or telephone. Unless otherwise waived, notice to members of each special meeting shall be by letter or telephone not less than 72 hours before the date fixed for such special meeting. The notice of any special meeting shall state briefly the purposes of such meeting and the nature of the business to be transacted at such meeting, and no business other than that stated in the notice shall be transacted at such special meeting.

Section 4. Pursuant to Chapter 6, Article 9A, Section 3 of the Code of West Virginia, 1931, as amended, notice of the date, time, place and agenda of all regularly scheduled meetings of the Board, and the date, time, place and purpose of all special meetings of the Board, shall be made available, in advance, to the public and news media as follows:

Rule No. 1. Notice of Regularly Scheduled Meetings. Immediately after adoption of these Rules of Procedure and in July of each year thereafter, the Board shall instruct the Secretary to, and the Secretary shall, post, and leave posted throughout the year to which it applies, at the regular meeting place of the Board and at the Clay and Roane County Courthouses, where notices customarily are posted, a notice setting forth the date, time and place of the Board's regularly scheduled meetings for the ensuing year. In addition, a copy of the agenda for each regularly scheduled meeting shall also be posted at the same location by the Secretary not less than 72 hours before such regular meeting is to be held.

The Board shall also instruct the Secretary to, and the Secretary shall, distribute to each of the newspapers and other news media listed below a notice identical to that posted:

News Media	Address
Clay County Free Press	P.O. Box 180, Clay, WV 25043
Roane County Reporter	P.O. Box 647, Spencer 25276

A notice shall be considered distributed to a news medium when it has been addressed to such news medium at the address listed above, or at such other address as the news medium has in writing requested be used, marked or stamped with first class postage and deposited in the United States mail. In July of each year after the adoption of these Rules of Procedure, the Board shall review the above list and shall amend such list as needed, in the opinion of the Board, to reflect properly all the newspapers and other news media that customarily cover news of the area served by the Board. In addition, a copy of the agenda for each regularly scheduled meeting shall also be distributed to the news media by the Secretary not less than 72 hours before such regular meeting is to be held.

In the event of any modification to the date, time, place or agenda of a regularly scheduled meeting of the Board, notice of such modification shall immediately be given to the public and news media by posting at the places and distributing to the news media in the manner set forth above not less than 48 hours before such regular meeting is to be held. A copy of the notice of such modification shall be attached to and made a part of the minutes of the meeting for which such notice was given.

Rule No. 2. Notice of Special Meetings. Not less than 72 hours prior to the date set for any special meeting of the Board, the Board shall instruct the Secretary to, and the Secretary shall, post at the regular meeting place of the Board and at the Clay and Roane County Courthouses, where notices customarily are posted, a notice setting forth the date, time, place and purpose or

purposes of such special meeting. Business at such special meeting shall be limited to the purpose or purposes specified in said notice.

As soon as practical after the posting of said notice, but not less than 72 hours prior to the date set for such special meeting, the Secretary shall distribute to each of the newspapers and other news media listed in Rule No. 1 hereof, a notice identical to that posted. Amendments made to such news media list, as provided for in said Rule No. 1, shall be incorporated by reference in this Rule No. 2. A notice shall be considered distributed to a news medium when it has been addressed to such news medium at the address listed in said Rule No. 1, or at such other address as the news medium has in writing requested be used, marked or stamped with first class postage and deposited in the United States mail.

A copy of such notice posted and distributed pursuant to this Rule No. 2 shall be attached to and made a part of the minutes of the meeting for which such notice was given.

Rule No. 3. Emergency Meetings. The Board may hold a meeting without providing the notice to the public and news media required by Rule No. 1 and Rule No. 2 hereof only in the event of an emergency requiring immediate official action. The existence for such an emergency requiring immediate official action shall be determined by the Board and shall be attested to in a certificate by the Secretary describing such emergency and setting forth the reason or reasons immediate official action is required, which certificate shall be attached to and made a part of the minutes of such emergency meeting.

Rule No. 4. Executive Sessions. The Board may hold an executive session during a regular, special or emergency meeting in accordance with Chapter 6, Article 9A, Section 4 of the Code of West Virginia, 1931, as amended. During the open portion of the meeting, prior to convening an executive session, the Chairperson shall identify the authorization under Chapter 6, Article 9A, Section 4 of the Code of West Virginia, 1931, as amended, for holding the executive session and present it to the Board and to the general public, but no decision may be made in the executive session. An executive session may be held only upon a majority affirmative vote of the Board members present. The Board may hold an executive session and exclude the public only when a closed session is required for any of the actions permitted under Chapter 6, Article 9A, Section 4 of the Code of West Virginia, 1931, as amended.

Rule No. 5. Minutes. The Board shall provide for the preparation of written minutes of all of its meetings. Subject to the exceptions set forth in Chapter 6, Article 9A, Section 4 of the Code of West Virginia, 1931, as amended, minutes of all meetings except minutes of executive sessions, if any are taken, shall be available to the public within a reasonable time after the meeting and shall include, at least, the following information:

(1) The date, time and place of the meeting;
(2) The name of each Board member present and absent;
(3) All motions, proposals, resolutions, orders, ordinances and measures proposed, the name of the person proposing the same and their disposition;

and

(4) The results of all votes and, upon the request of a Board member, the vote of each Board member, by name.

Rule No. 6. No Actions by Reference. Except as otherwise expressly provided by law, the Board may not deliberate, vote, or otherwise take official action upon any matter by reference to a letter, number or other designation or other secret device or method, which may render it difficult for persons attending a meeting to understand what is being deliberated, voted or acted upon. However, this rule does not prohibit the Board from deliberating, voting or otherwise taking action by reference to an agenda, if copies of the agenda, sufficiently worded to enable the public to understand what is being deliberated, voted or acted upon, are available for public inspection at the meeting. The Board may not vote by secret or written ballot.

Rule No. 7. Broadcasting of Meetings. Except as otherwise provided in this rule, any radio or television station is entitled to broadcast all or any part of a Board meeting required to be open. The Board may regulate the placement and use of equipment necessary for broadcasting, photographing, filming or recording a meeting, so as to prevent undue interference with the meeting. The Board shall allow the equipment to be placed within the meeting room in such a way as to permit its intended use, and the ordinary use of the equipment may not be declared to constitute undue interference; provided, that if the Board, in good faith, determines that the size of the meeting room is such that all the members of the public present and the equipment and personnel necessary for broadcasting, photographing, filming and tape-recording the meeting cannot be accommodated in the meeting room without unduly interfering with the meeting and an adequate alternative meeting room is not readily available, then the Board, acting in good faith and consistent with the purposes of this rule, may require the pooling of the equipment and the personnel operating it.

Rule No. 8. Telephonic Meetings. Board meetings may be held by telephone conference or other electronic means. All Board members participating by telephone or other electronic means must be audible to all those personally present.

Section 5. All meetings of any committee of the Board shall be subject to the Rules of Procedure set forth in Section 4 above.

ARTICLE V

OFFICERS

Section 1. The officers of the Board shall be a Chairperson, Secretary and Treasurer. The Chairperson shall be elected from the members of the Board. The Secretary and Treasurer need not be members of the Board.

Section 2. The officers of the Board shall be elected each year by the members at the first meeting after the first day of January of each year. The officers so elected shall serve until the next annual election by the membership and until their successors are duly elected and qualified. Any

vacancy occurring among the officers shall be filled by the members of the Board at a regular or special meeting. Persons selected to fill vacancies shall serve until the next annual organizational meeting of the Board when their successors shall be elected as hereinabove provided.

ARTICLE VI

DUTIES OF OFFICERS

Section 1. When present, the Chairperson shall preside as Chairperson at all meetings of the Board. He/She shall, together with the Secretary, sign the minutes of all meetings at which he/she shall preside. He/She shall attend generally to the executive business of the Board and exercise such powers as may be conferred upon him/her by the Board, by these Rules of Procedure, or prescribed by law. He/She shall execute, and if necessary, acknowledge for record, any deeds, deeds of trust, contracts, notes, bonds, agreements, or other documents necessary, requisite, proper or convenient to be executed by or on behalf of the Board when and if directed by the members of the Board.

Section 2. If the Chairperson is absent from any meeting, the remaining members of the Board shall select a temporary chairperson.

Section 3. The Secretary shall keep a record of all proceedings of the Board which shall be available for inspection as other public records. Duplicate records shall be filed with the County Commission and shall include the minutes of all Board meetings. He/She shall, together with the Chairperson, sign the minutes of the meetings at which he/she is present. The Secretary shall have charge of the minute book, be the custodian of deeds and other documents and papers of the Board. He/She shall also perform such other duties as may be required of him/her by law or as may be conferred upon him/her from time to time by the members of the Board.

Section 4. The Treasurer shall be the lawful custodian of all funds of the District and shall pay same out on orders authorized or approved by the Board. The Treasurer shall keep or cause to be kept proper and accurate books of accounts and proper receipts and vouchers for all disbursements made by or through him/her and shall prepare and submit such reports and statements of the financial condition of the Board as the members may from time to time prescribe. The Treasurer shall keep and preserve all financial records of the District for 10 years and shall at all times have such records readily available for public inspection. At the end of his/her term of office, the Treasurer shall promptly deliver all financial records of the District to his successor in office. He/She shall also perform such other duties as may be required of him/her by law or as may be conferred upon him/her from time to time by the members of the Board. The Treasurer shall furnish bond in an amount to be fixed by the Board for the use and benefit of the District.

Section 5. No money may be paid out by the District except upon an order signed by the Chairperson and Secretary, or such other person or persons authorized by the Chairperson or the Secretary, as the case may be, to sign such orders on their behalf. Each order for the payment of money shall specify the purposes for which the amount thereof is to be paid, with sufficient clearness

to indicate the purpose for which the order is issued, and there shall be endorsed thereon the name of the particular fund out of which it is payable and it shall be payable from the fund constituted for such purpose, and no other. All such orders shall be reflected in the minutes of the next meeting of the Board.

Section 6. The members and officers of the Board shall make available to the County Commission, at all times, all of its books and records pertaining to the District's operation, finances and affairs, for inspection and audit.

ARTICLE VII

AMENDMENTS TO RULES OF PROCEDURE

Section 1. These Rules of Procedure may be altered, changed, amended or added to at any regular or special meeting of the Board when a quorum is present and a majority of those present vote for the alteration, change, amendment or addition; but no such alteration, change, amendment or addition shall be made at any special meeting unless notice of the intention to propose such alteration, change, amendment or addition and a clear statement of the substance thereof be included in the written notice calling such special meeting.

Adopted this 14th day of October, 2004.

Melissa Pootelwait
Chairperson and Member

Susan Beard
Member

David Saulsgren
Member

Gary D. Whaling
Member

Member

CERTIFICATION

Certified a true copy of the Rules of Procedure duly adopted by the Board of Clay-Roane Public Service District on October 14, 2004.

Dated this 9th day of November, 2004.

[SEAL]

Crystal McKinney
Secretary/Treasurer

STATE OF WEST VIRGINIA,

COUNTY OF CLAY, to-wit:

I, Crystal McKinney, do hereby certify that I am the duly qualified and acting Secretary/Treasurer of the Public Service Board of the Clay-Roane Public Service District.

I further certify that the above and foregoing is a true and correct copy of the Revised and Reenacted Rules of Procedure of the Public Service Board of the Clay-Roane Public Service District, Clay County, West Virginia, adopted on October 14, 2004, and which remain in full force and effect with no changes, insertions, amendments or modifications having been made thereto since their date of adoption.

IN WITNESS WHEREOF, I have hereunto subscribed my official signature and affixed the seal of said Public Service District this 9th day of November, 2004.

Crystal McKinney
Secretary/Treasurer

(SEAL)

CLAY-ROANE PUBLIC SERVICE DISTRICT
PO BOX 8
PROCIOUS WV 25164
304-548-5209

December 11, 2003
RE: Semi Monthly Meeting

Board members present: Melissa Postelwait, Larry White, Gary Whaling, Dave Saulsgiver and Glen Sutton. Others in attendance included: Kim Kearns, Jennifer Traub, Crystal Geiger, Thomas Coon, Andy Waddell, Susan Brown, Celia Coon, Rodney Cox, Dallas Hanshaw, and Fred Workman.

Item I-Melissa Postelwait called meeting to order at 7:00 pm and made introductions to the audience.

Item II- Public Comments/Complaints- none

Item III-Minutes of previous meeting- Larry motions to approve minutes as approved. Gary seconds, motion carried.

Item IV- Financial report

A) **Approval of bills-** Melissa announced that we have received the new company truck and that the truck payment is added to the bill list. She also announced that Thomas Coon has been added to the insurance so he can drive the company truck and we no longer have to pay mileage. Gary motions to approve bill list as presented for the entire month totaling $ 21,087.64. Glen seconds, motion carried.

Item V- Old Business-

A) **Water Project Update**- Jim Hildreth did not attend the meeting. Crystal explained that she had received the petition for Elkhurst Rd and she is forwarding it to Jim Hildreth for a cost class study.

B) **Roof Repair Estimates**- Larry explained that the estimate he had received from Jim Harris Contractor in the amount of $857.88 was just to high. Larry believed it would be cheaper to buy the supplies needed and do the repairs ourselves. So, the board rejected the bid. Fred Workman was in the audience and is a non-licensed contractor said that he would come a give us his estimate. The board agreed to see his bid before we repair the roof ourselves.

C) **Queen Shoals O&M agreement**- Jim Kearns explains that he had just received the examples of the O&M agreement and needs a chance to look over everything first. He explained that he wants to move Q/S back to Bomont as soon as they can. Jim also stated that the commission had appointed 2 more board members, so he wanted the chance to meet with them before we sign a new O&M agreement. This is to be carried over to next months meeting.

D) **Employee Policies-sick days and smoking policy**- Board moves this to executive session.

E) **Truck Log**- Board moves this to executive session.

F) **Old Company Truck**- Melissa stated that since we purchased the new company vehicle and the old truck is in dire need of repair, the board may want to discuss the sale of the old truck. Gary states that he thinks we should advertise the sale. Larry said that we could even look into trading the vehicle in on another used vehicle so that we could have a back up vehicle. Glen

suggests we advertise and accept sealed bids. Gary motions to advertise the sale of the vehicle accepting sealed bids due by Jan 8, 2003. Glen seconds, motion carried.

Item VI- New Business-

A) New Deposit rates- Crystal explains the new PSC rule which states that all applicants shall make a deposit of a minimum of $50.00 or 2/12 of the annual estimated charge for water service. Crystal explained she had spoken to Susan Brown at the PSC and they had suggested a charge of $75.00 as the new deposit rate. Larry motions to approve the new rate of $75.00 effective December 1, 2003. Glen seconds, motion carried.

B) One Time Raise- Melissa explained the one time raise to be used instead of a Christmas bonus. Larry suggest the amounts as follows:

a. Full time employees will receive $ 100.00
b. Part time employees will receive $ 50.00
c. Weekend workers and the backhoe operator will receive $ 25.00

Larry motions to give the employees the one-time raise as presented. Glen seconds, motion carried.

C) Old Water Storage Tanks- Melissa explained that this issue had been brought up before but since the upgrades are still a ways away, that we should sale the two tanks. Dave asked why we could not keep one of the tanks to storage our Delpac in. Jennifer stated that CI Thornburg was going to provide a free storage tank for us. Dave asked if we had to sign a contract to be able to receive the free tank. Jennifer stated that she would check with CI Thornburg on that. Gary motions to sale the two tanks by accepting sealed bids for a minimum of $300.00 on Jan.8, 2003. Glen seconds, motion carried.

D) Generators for water plant- Jennifer explained that we need to have a generator on hand at the plant and for the booster station for when we lose electricity. Larry recommends someone come in and check out our system to see what size generator we would need. Larry suggests that we contact Emergency Services to borrow a generator until one can be purchased. Melissa suggests that this item be tabled until next meeting so that Jennifer can get prices/estimates on what we need.

E) Election for 2004, Chairman, Treasure, Secretary- Melissa explained that every January the board must elect positions of chairman, treasure and secretary and that since our first meeting isn't until Jan. 8, she recommends that the board elect the positions tonight. Gary motions to retain all those in position remain unchanged as Melissa Postelwait the chairman and Crystal Geiger as the secretary and treasure. Glen seconds motion. Dave opposed. Larry sustained from voting stating that he thinks the people of Clay be the ones to vote for the positions. With 3 ayes to 2 nays, motion carried.

VI-Executive Session

A) Duties/Policies/Personnel manual- Before executive session began, Andy Waddell asks how does the policy manual qualify under policy laws to go into executive meeting. Larry the general policy manual cannot be in executive but duties of an employee and his sick days have to be. Melissa reads law from the open meeting law. See attachment. Larry motions to go into executive

after a 5 min break at 8:00pm. Gary seconds, motion carried. Out of executive session at 8:30pm. Melissa stated that after a lot of discussion, no motions were made during executive session. Melissa then calls for any motions for the board on the discussions in executive. Larry motions to approve the following amendments in the employee's policy manual.

a.) Sick Days-Part time employees hired before the adoption of the new policy manual will continue to receive 12 sick days per year until termination of his employment.

b.) Smoking- Smoking shall be allowed in the company vehicle, unless non-smokers riding in the vehicles request otherwise. At all times their request of NO SMOKING, PLEASE be observed by all passengers and drivers. Employees can be reprimanded if this policy is not followed.

c.) Truck log- A daily truck log shall be kept for all uses of the company vehicle. The log shall report the date, time out, starting mileage, time in, ending mileage, driver's initials, and price of fuel and oil purchases. Failure to keep said log up to date may result in disciplinary actions.

d.) Holidays- Full time employees will observe the following days as holidays: New Years Day, Martin Luther King Day, Good Friday(Easter), Memorial Day, WV Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day. Temporary and Part time employees are not eligible for holidays unless they work on that day, then they will receive holiday pay.

e.) Vacations- Full- time employees accumulate vacation days as follows: 0 to 1 year=prorated from date of employment

1 thru 5 years= 1 week (5 days) paid vacation
6 thru 10 years= 2 weeks (10 days) paid vacation
11 thru 15 years=3 weeks (15 days) paid vacation
16 thru 20 years=4 weeks (20 days) paid vacation
21 and above=5 weeks (25 days) paid vacation (5 weeks maximum). Vacation days must be taken in year accrued or paid at the end of calendar year (Dec. 31). Part-time and temporary employees are not eligible for paid vacation days.

Glen seconds the motion, motion carried.

Larry also motions to place the lettering Clay Roane PSD with the company phone number on the new company vehicle. Glen seconds, motion carried.

VII- Public Comments- Melissa calls for any questions or comments from the public. There was none.

VIII- Adjournment- Glen motions to adjourn at 8:40pm. Gary seconds, motion carried.

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PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in the City of Charleston on the 13th day of October, 2004.

CASE NO. 00-1303-PWD-CN (REOPENED)

CLAY-ROANE PUBLIC SERVICE DISTRICT
Petition to reopen for approval of supplemental funding in conjunction with the Clay Roane Public Service District, Amma Left Hand Water Project (filed 9/13/04).

COMMISSION ORDER

On March 13, 2002, a Commission Order was entered which granted the Clay-Roane Public Service District's (District) application for a certificate of convenience and necessity to construct and operate a water extension project to serve approximately 240 new customers in southern Roane and northwestern Clay Counties. The Commission further approved the project funding as follows: a $1,700,000 West Virginia Infrastructure and Jobs Development Council (IJDC) grant; a $500,000 Appalachian Regional Commission (ARC) grant; an $840,000 United States Department of Agriculture Rural Utilities Service (USDA RUS) grant; and a $360,000 USDA RUS loan. The total project cost was to be $3,400,000.

On September 13, 2004, the District filed a motion for expedited approval of additional funding because the received bids substantially exceeded the project funding. Subject to Commission approval, the District stated it has adopted a revised project budget. In addition, supplemental funding has been obtained as follows: a $370,550 USDA RUS additional grant; a $715,000 IJDC additional grant; and a $1,000,000 IJDC additional loan. The District requested expedited approval of the revised funding because the bids expire on October 15, 2004.

Commission Staff (Staff) filed an Initial and Joint Staff Memorandum on October 7, 2004. Staff explained that the required supplemental funding of $2,085,550,

which includes a $1,000,000 loan at 0% for forty (40) years, will not cause a change in customer rates. Staff recommended approval of the additional project costs and the supplemental funding, for a total project cost of $5,485,550.

DISCUSSION

Upon review of all of the foregoing, the Commission agrees with the Staff recommendation filed on October 7, 2004. The District's petition for revised funding will be approved, consisting of a $370,550 USDA RUS grant; a $715,000 IJDC grant; and a $1,000,000 IJDC loan at 0% for forty (40) years, for a revised total project cost of $5,485,550.

FINDINGS OF FACT

1. On March 13, 2002, a Commission Order was entered which granted the District's application for a certificate of convenience and necessity to construct and operate a water extension project to serve approximately 240 new customers in southern Roane and northwestern Clay Counties. The Commission further approved the project funding as follows: a $1,700,000 IJDC grant; a $500,000 ARC grant; an $840,000 USDA RUS grant; and a $360,000 USDA RUS loan.

2. On September 13, 2004, the District filed a motion for expedited approval of additional funding because the received bids substantially exceeded the project funding. The District obtained the following supplemental funding: a $370,550 USDA RUS additional grant; a $715,000 IJDC additional grant; and a $1,000,000 IJDC additional loan.

3. On October 7, 2004, Staff recommended approval of the additional project costs and the supplemental funding, for a total project cost of $5,485,550.

CONCLUSION OF LAW

The District's petition for approval of revised funding should be approved as follows: a $370,550 USDA RUS grant; a $715,000 IJDC grant; and a $1,000,000 IJDC loan at 0% for forty (40) years.

ORDER

IT IS, THEREFORE, ORDERED that the Clay-Roane Public Service District's petition to reopen this case is granted.

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

IT IS FURTHER ORDERED that the Clay-Roane Public Service District's petition for approval of revised funding is approved, consisting of the following:

- a $370,550 USDA RUS grant;
- a $715,000 UDC grant; and
- a $1,000,000 UDC loan at 0% for forty (40) years.

IT IS FURTHER ORDERED that in the event of any change to the funding, terms of financing, plans, or scope of the approved project, the Clay-Roane Public Service District shall petition the Commission to reopen this proceeding for approval of the same.

IT IS FURTHER ORDERED that, upon entry hereof, this proceeding shall be removed from the Commission's active docket of cases.

IT IS FURTHER ORDERED that the Commission's Executive Secretary serve a copy of this order upon all parties of record by facsimile and United States First Class Mail and upon Commission Staff by hand delivery.

TBS/ljm
001303ca.wpd

A True Copy, Teste:

Sandra Squire

Sandra Squire
Executive Secretary

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PUBLIC SERVICE COMMISSION

OF WEST VIRGINIA

CHARLESTON

At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in the City of Charleston on the 13th day of March, 2002.

CASE NO. 00-1303-PWD-CN

CLAY-ROANE PUBLIC SERVICE DISTRICT
Application for a certificate of convenience and necessity to construct and operate a water distribution system in Roane and Clay Counties.

COMMISSION ORDER

Background

On October 5, 2001, the Clay-Roane Public Service District (District) filed an application for a certificate of convenience and necessity to construct and operate a water extension project to serve approximately 240 new customers in southern Roane and northwestern Clay Counties. The District plans to install 28.5 miles of various size water line and fire service. The cost of the project is approximately $3,400,000. With its application, the District requested a waiver of Rule 42 of the Commission's *Rules and Regulations for the Government of the Construction and Filing of Tariffs of Public Utilities and Common Carriers by Motor Vehicle (Tariff Rules)*.

Notice of this certificate case was published in *The Time Record* of Roane County, on October 18, and 25, 2001, and the protest period expired on November 24, 2001, with no protests filed.

On November 29, 2001, Commission Staff (Staff) filed a memorandum noting that the project had been delayed due to the moratorium prohibiting new connection to the Procious, Queen Shoals and Clay-Roane Public Service Districts, and the lack of a water source. Staff advised, however, that with "the leak improvements undertaken by the Town of Clay, the Clay Water Plant now has excess capacity available to serve the project." Staff further noted that the District had obtained financing for the project consisting of: (1) WVIJDC Grant of $1,700,000; (2) Appalachian Regional Commission

(ARC) Grant of $500,000; (3) USRDA Rural Utilities Service (RUS) Grant of $840,000; and USRDA Rural Utilities Service (RUS) Loan of $360,000. Staff requested certain additional information from the District.

During the pendency of this case, the Commission has concluded two related cases involving the District. Specifically, a formal complaint, Case No. 01-1544-PWD-W-C, filed by the District against the Town of Clay arising from the Town's refusal to supply water to Clay-Roane; and a petition for consent and approval of a water purchase agreement between Clay and Clay-Roane, Case No. 01-1601-PWD-P-PC.

The two related cases have been resolved as follows. By Order issued February 21, 2002, the Commission dismissed Case No. 01-1544-PWD-W-C as resolved. By Order issued March 5, 2002, in Case No. 01-1601-PWD-P-PC, the Commission approved a water purchase contract between the District and the Town of Clay.

Turning to the instant case, Commission Staff, in its Final Joint Staff Memorandum in this certificate proceeding, filed on February 7, 2002, said that the District's total project costs are estimated at approximately $3,400,000, as follows:

Construction	$2,879,600
Engineering	340,000
Land and Rights	10,000
Legal Fees	15,000
Administration	40,000
Interest	32,000
Bond Counsel	10,000
Contingencies	73,400

Total Cost $3,400,000

Staff noted that project funding will be primarily through grants, as follows:

1. IJDC grant of $1,700,000;
2. ARC grant of $500,000;
3. USRDA RUS grant of $840,000; and
4. USRDA RUS loan of $360,000.

The project will not impact the District's current rates.

Staff further noted that the project will require over 150 right-of-way agreements and that more than half of the agreements have been acquired. The per-customer cost of

the extension project is approximately $14,167. This per-customer cost would be considered excessive if it were not for the 90% grant funding. Engineering and inspection services costs total 10% of the total project costs and 11.8% of construction costs. Staff found this percentage to be reasonable. Operation and maintenance costs were originally estimated at $58,000, but Staff raised those to $65,000 due to the District's past inability to implement necessary maintenance and remain solvent.

Staff noted that the biggest obstacle to finalizing this project has been the source of supply issue. Staff noted that the Town of Clay's plant currently has a large amount of excess capacity resulting from the resolution of the Procious PSD bankruptcy and repairs to the Town's mains. This capacity will be available in Staff's opinion, to serve both this project and the planned Clay County Public Service District extension project. Upon completion of those projects, however, the Town's plant will be operating at near capacity. Staff believes that the District needs an additional/alternate source of supply. The District has estimated that constructing of a tie-in to the soon-to be constructed Clover project for an alternate water source, would cost $85,000, but the District did not include that construction in this project.

Staff also noted that the District had considered whether to add the Pumpkin Ridge community of 40 or more potential customers to this extension project. Staff does not believe it is feasible to add this community in this project, but will continue to work with the District to provide water service to the area through a future project or projects.

In light of the fact that the District does not propose a rate increase in connection with this project, Staff recommended that the Commission grant the District's request for a waiver of *Tariff Rule* 42. Staff's calculations indicate that the project is financially feasible. The only change to the District's tariff that Staff recommends is the addition of a returned check charge. Staff further concluded that the project is necessary to serve many currently unserved customers and to provide necessary infrastructure in Clay and Roane counties, and that the project conforms to the rules and regulations of this Commission.

Accordingly, Staff recommended that the Commission issue an order granting the District's certificate application pursuant to *W. Va. Code* §§16-13A-25 and 24-2-11; accepting the IJDC, ARC and USDA grants and the USDA loan; approving the District's current tariff with the addition of a returned check charge; and approving the Staff recommended cash flow analysis attached to the Final Staff memorandum.

DISCUSSION

The Commission agrees with Staff that the proposed project will serve the public convenience and necessity. Further, we agree with Staff's conclusion that the project is both economically and technically feasible. Accordingly, this certificate application should be granted and the related financing approved pursuant to *W.Va. Code* §§24-2-11 and 16-13A-25.

As no protests have been filed in response to the published notice, it is appropriate to waive a hearing for this case. Furthermore, as rates will not be affected by the project, it is appropriate to waive the requirement of a *Tariff Rule* 42 Exhibit.

Furthermore, now that the related cases involving the District and the Town of Clay have been resolved, the Commission finds that the granting of this certificate application is now appropriate. (*See* Case No. 01-1544-PWD-W-C, Commission Order February 21, 2002; Case No. 01-1601-PWD-P-PC, Commission Order March 5, 2002).

Turning to the Staff recommended $15.00 returned check charge for the District, we note that it is established Commission policy to permit utilities to charge their customers for returned, or bad, checks an amount that does not exceed the amount that the utility's bank charges the utility for such check, provided that such charge may not exceed $15.00. *See* Case Nos. 94-0110-PSD-42A, and 94-0111-PWD-42A, Union Williams Public Service District, (Commission Order March 10, 1995); Case No. 95-0345-PWD-T, Page-Kincaid Public Service District (Commission Order June 15, 1995); Case No. 96- 1343, Chattaroy Public Service District (Commission Order December 9, 1996). The Commission's policy is based on reasoning that a utility should be permitted to recover a bad check fee directly

from the customer incurring the charge in order to directly match the cost causer to the cost, rather than spreading the cost throughout the entire customer base. To the extent that such costs are already imbedded in a utility's rates, such amounts are *de minimis* and need not be quantified prior to the imposition of a specific returned check fee provision in a tariff. However, in the District's next rate case, proper adjustments should be made to reflect all going level revenues generated from the returned check charge.

The returned check charge should be reflected in the utility's tariff on file with the Commission. Furthermore, the District should be required to publish notice of its newly instituted returned check charge as publication may reduce the instances where the utility receives a bad check as payment for a bill. Such notice should be published as a Class I legal advertisement in newspapers of general circulation in the District's service territory. The District will not be permitted to charge the returned check charge until the day

following the date the District files with the Commission its affidavit of publication and revised tariff sheets showing the returned check charge.

FINDINGS OF FACT

1. The District seeks a certificate of convenience and necessity to construct and operate a water extension project to serve approximately 240 new customers in southern Roane and northwestern Clay Counties.

2. The District plans to install 28.5 miles of various size water line and fire service. The cost of the project is approximately $3,400,000.

3. The District requested a waiver of *Tariff Rule* 42.

4. Notice of this certificate case was published in *The Time Record* of Roane County, on October 18, and 25, 2001, and the protest period expired on November 24, 2001, with no protests filed.

5. The project was originally delayed due to the moratorium prohibiting new connection to the Procious, Queen Shoals and Clay-Roane Public Service Districts, and the lack of a water source.

6. Because of leak improvements undertaken by the Town of Clay, the Clay Water Plant now has excess capacity available to serve the project.

7. Staff further noted that the District had obtained financing for the project consisting of: (1) WVIJDC Grant of $1,700,000; (2) Appalachian Regional Commission (ARC) Grant of $500,000; (3) USRDA Rural Utilities Service (RUS) Grant of $840,000; and USRDA Rural Utilities Service (RUS) Loan of $360,000.

8. During the pendency of this case, the Commission concluded two related cases involving the District. Specifically, a formal complaint, Case No. 01-1544-PWD-W-C, filed by the District against the Town of Clay arising from the Town's refusal to supply water to Clay-Roane; and a petition for consent and approval of a water purchase agreement between Clay and Clay-Roane, Case No. 01-1601-PWD-P-PC.

9. The two related cases have been resolved as follows. By Order issued February 21, 2002, the Commission dismissed Case No. 01-1544-PWD-W-C as resolved. By Order issued March 5, 2002, in Case No. 01-1601-PWD-P-PC, the Commission approved a water purchase contract between the District and the Town of Clay.

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10. The District's total project costs are estimated at approximately $3,400,000, as set forth above, and will be funded primarily through the grants listed above. (Final Joint Staff Memorandum, February 7, 2002).

11. The project will require over 150 right-of-way agreements and the District has obtained more than half of the agreements. (*Id.*)

12. Although the per-customer cost of the extension project is high, Staff does not object to the per-customer costs because the project is 90% grant funded. (*Id.*)

13. Staff found the engineering and inspection services costs, which total 10% of the total project costs and 11.8% of construction costs, to be reasonable. (*Id.*)

14. Operation and maintenance costs were originally estimated at $58,000, but Staff raised those to $65,000 due to the District's past inability to implement necessary maintenance and remain solvent. (*Id.*)

15. Staff recommended that the Commission grant the District's request for a waiver of *Tariff Rule* 42. (*Id.*)

16. Staff concluded that the project is financially feasible. (*Id.*)

17. Staff recommends that a $15.00 returned check charge be added to the District's tariff. (*Id.*)

18. Staff concluded that the project is necessary to serve many currently unserved customers and to provide necessary infrastructure in Clay and Roane Counties, and that the project conforms to the rules and regulations of this Commission. (*Id.*)

19. Staff recommended that the Commission issue an order granting the District's certificate application and related financing pursuant to *W. V a. Code* §§16-13A-25 and 24-2-11; accepting the IJDC, ARC and USDA grants and the USDA loan; approving the District's current tariff with the addition of a returned check charge; and approving the Staff recommended cash flow analysis attached to the Final Staff memorandum. (*Id.*)

CONCLUSIONS OF LAW

1. The proposed project will serve the public convenience and necessity.

2. The project is both economically and technically feasible.

3. The certificate application should be granted and the related financing approved pursuant to *W. Va. Code* §§ 24-2-11 and 16-13A-25.

4. As no protests have been filed in response to the published notice, it is appropriate to waive a hearing for this case.

5. As rates will not be affected by the project, it is appropriate to waive the requirement of a *Tariff Rule* 42 Exhibit.

6. Now that the related cases involving the District and the Town of Clay have been resolved, approval of this certificate application is now appropriate. (*See* Case No. 01-1544-PWD-W-C, Commission Order February 21, 2002; Case No. 01-1601-PWD-P- PC, Commission Order March 5, 2002).

7. A returned check charge for the District should be approved, effective upon the District's filing of affidavits evidencing publication of the new charge.

ORDER

IT IS THEREFORE ORDERED that the District's application for a certificate of convenience and necessity to construct and operate a water extension project to serve approximately 240 new customers in southern Roane and northwestern Clay Counties, filed on October 5, 2001, is hereby granted and the related financing approved, pursuant to *W. Va. Code* §§ 24-2-11 and 16-13A-25.

IT IS FURTHER ORDERED that the following project funding is hereby approved:

1. IJDC grant of $1,700,000;
2. ARC grant of $500,000;
3. USRDA RUS grant of $840,000; and
4. USRDA RUS loan of $360,000.

IT IS FURTHER ORDERED that a hearing in this proceeding is hereby waived.

IT IS FURTHER ORDERED that the requirements of *Tariff Rule* 42 are hereby waived for this proceeding.

IT IS FURTHER ORDERED that if there is any change in the plans, scope, or financing for the project, the District shall file a petition to reopen this proceeding with the Commission requesting approval of such change(s).

IT IS FURTHER ORDERED that the District provide notice to its customers of the returned check charge by publishing the attached notice of such charge once in newspapers of general circulation in the counties in which it provides service.

IT IS FURTHER ORDERED that following publication of the above-described notice, the District shall file with the Commission a certificate of publication with respect thereto, and revised tariff sheets reflecting the tariff changes approved herein.

IT IS FURTHER ORDERED that the District shall be authorized to assess the returned check charge the day following the date it files its certificate(s) of publication and the revised tariff sheets with the Commission.

IT IS FURTHER ORDERED that the Commission's Executive Secretary shall serve a copy of this order on all parties of record by First Class United States Mail, and upon Commission Staff by hand delivery.

JML/ljm
001303c.wpd

Attached Notice

PUBLIC SERVICE COMMISSION

OF WEST VIRGINIA

CHARLESTON

CASE NO. 00-1303-PWD-CN

CLAY-ROANE PUBLIC SERVICE DISTRICT
Application for a certificate of convenience and necessity to construct and operate a water distribution system in Roane and Clay Counties.

NOTICE OF RETURNED CHECK CHARGE

By Order issued on March 13, 2002, the Public Service Commission authorized the Clay-Roane Public Service District to add a returned check charge to its tariff. Accordingly, the District will hereafter assess a $15.00 returned check charge against each customer who delivers a check for payment to the District, and such check is subsequently returned to the District by the customer's bank due to insufficient funds.

CLAY-ROANE PUBLIC SERVICE DISTRICT

West Virginia Infrastructure & Jobs Development Council

Public Members:
Mark Prince, Chairman
Hurricane
Dwight Calhoun, Vice Chairman
Petersburg
C. R. "Rennie" Hill, III
Beckley
Tim Stranko
Morgantown

300 Summers Street, Suite 980
Charleston, West Virginia 25301
Telephone: (304) 558-4607
Facsimile: (304) 558-4609

Katy Mallory, PE

Executive Secretary
Katy.Mallory @ verizon.net

September 1, 2004

Melissa Postelwait, Chairwoman
Clay-Roane Public Service District
P.O. Box 8
Procious, West Virginia 25164

Re: Clay-Roane Public Service District
Water Project 96W-181

Dear Ms. Postelwait:

The West Virginia Infrastructure and Jobs Development Council (the "Infrastructure Council") has reviewed the Clay-Roane Public Service District's (the "District") request for revision to the Infrastructure Council's binding commitment offer of December 23, 1997 to the District for financing its water project and repaying the District's 2001A $295,000 Water Revenue Bond. At its September 1, 2004 meeting, the Infrastructure Council voted to revise the binding commitment as shown on the attached Schedule A. An Infrastructure Fund Loan for $1,000,000 (0%, 40 yrs) and the Infrastructure Fund grant is increased to $2,545,000 for a total project cost of $5,615,550. Please contact Katy Mallory if you have any questions concerning this matter.

Sincerely,

Mark Prince

MP/km
Attachments

NOTE: This letter is sent in triplicate. Please acknowledge receipt and immediately return two copies to the Infrastructure Council.

Clay-Roane Public Service District

By: Melissa Postelwait

Its: _____

Date: _____

WEST VIRGINIA INFRASTRUCTURE & JOBS DEVELOPMENT COUNCIL

Clay-Roane Public Service District
Water Project 96W-181
September 1, 2004

SCHEDULE A

A. Approximate Amount: $1,000,000 Loan
$2,545,000 Grant

B. Loan: $1,000,000

1. Maturity Date: 40 years

2. Interest Rate: 0%

3. Loan Advancement Date(s): Monthly, upon receipt of proper requisition

4. Debt Service Commencement: The first quarter following completion of construction, which date must be identified prior to closing.

5. Special Conditions: None

NOTICE: The terms set forth above are subject to change following the receipt of construction bids.

C. Grant: $2,545,000

1. Grant Advancement Date(s): Monthly, upon receipt of proper requisition and after all the Infrastructure Fund loan dollars are disbursed.

2. Special Conditions: None

C. Other Funding:

RUS grant	$1,210,550
ARC grant	$ 500,000
RUS loan	$ 360,000

D. Total Project Cost: $5,615,550

IC-1
(06/06/02)

LOAN AGREEMENT

THIS LOAN AGREEMENT, made and entered into in several counterparts, by and between the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY, a governmental instrumentality and body corporate of the State of West Virginia (the "Authority"), acting on behalf of the WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL (the "Council"), and the governmental agency designated below (the "Governmental Agency").

CLAY-ROANE PUBLIC SERVICE DISTRICT
(Governmental Agency)

W I T N E S S E T H:

WHEREAS, pursuant to the provisions of Chapter 31, Article 15A of the Code of West Virginia, 1931, as amended (the "Act"), the Authority is empowered upon request of the Council to make loans to governmental agencies for the acquisition or construction of projects by such governmental agencies, subject to such provisions and limitations as are contained in the Act;

WHEREAS, the Governmental Agency constitutes a governmental agency as defined by the Act;

WHEREAS, the Governmental Agency is authorized and empowered by the statutes of the State to acquire, construct, improve, operate and maintain a project, as defined by the Act, and to finance the cost of acquisition and construction of the same by borrowing money to be evidenced by revenue bonds issued by the Governmental Agency;

WHEREAS, the Governmental Agency intends to construct, is constructing or has constructed such a project at the location and as more particularly described and set forth in the Application, as hereinafter defined (the "Project");

WHEREAS, the Governmental Agency has completed and filed with the Authority an Application for a Construction Loan with attachments and exhibits and an Amended Application for a Construction Loan also with attachments and exhibits (together, as further revised and supplemented, the "Application"), which Application is incorporated herein by this reference; and

WHEREAS, having reviewed the Application and made all findings required by the Act and having available sufficient funds therefor, the Council has authorized the Authority to lend the Governmental Agency the amount set forth on Schedule X attached hereto and incorporated herein by reference, through the purchase of revenue bonds of the Governmental Agency with money in the Infrastructure Fund, subject to the Governmental Agency's satisfaction of certain legal and other requirements of the Council's loan program (the "Program") as hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and the mutual agreements hereinafter contained, the Governmental Agency and the Authority hereby agree as follows:

ARTICLE I

Definitions

1.1 Except where the context clearly indicates otherwise, the terms "Authority," "cost," "Council," "governmental agency," "project," "waste water facility" and "water facility" have the definitions and meanings ascribed to them in the Act.

1.2 "Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser of the Bonds, acting in its administrative capacity pursuant to Section 10 of the Act and upon authorization from the Council.

1.3 "Consulting Engineers" means the professional engineer, licensed by the State, designated in the Application and any qualified successor thereto; provided, however, when a Loan is made for a Project financed, in part, by the Office of Abandoned Mine Lands, "Consulting Engineers" shall mean the West Virginia Department of Environmental Protection, or any successor thereto.

1.4 "Infrastructure Fund" means the West Virginia Infrastructure Fund established in accordance with Section 9 of the Act.

1.5 "Loan" means the loan to be made by the Authority to the Governmental Agency through the purchase of Local Bonds, as hereinafter defined, pursuant to this Loan Agreement.

1.6 "Local Act" means the official action of the Governmental Agency required by Section 4.1 hereof, authorizing the Local Bonds.

1.7 "Local Bonds" means the revenue bonds to be issued by the Governmental Agency pursuant to the provisions of the Local Statute, as hereinafter defined, to evidence the Loan and to be purchased by the Authority, all in accordance with the provisions of this Loan Agreement.

1.8 "Local Statute" means the specific provisions of the Code of West Virginia, 1931, as amended, pursuant to which the Local Bonds are issued.

1.9 "Operating Expenses" means the reasonable, proper and necessary costs of operation and maintenance of the System, as hereinafter defined, as should normally and regularly be included as such under generally accepted accounting principles.

1.10 "Project" means the project hereinabove referred to, to be constructed or being constructed by the Governmental Agency in whole or in part with the net proceeds of the Local Bonds.

1.11 "System" means the project owned by the Governmental Agency, of which the Project constitutes all or to which the Project constitutes an improvement, and any improvements thereto hereafter constructed or acquired from any sources whatsoever.

1.12 Additional terms and phrases are defined in this Loan Agreement as they are used.

ARTICLE II

The Project and the System

2.1 The Project shall generally consist of the construction and acquisition of the facilities described in the Application, to be, being or having been constructed in accordance with plans, specifications and designs prepared for the Governmental Agency by the Consulting Engineers, the Authority and Council having found, to the extent applicable, that the Project is consistent with the Act.

2.2 Subject to the terms, conditions and provisions of this Loan Agreement and the Local Act, the Governmental Agency has acquired, or shall do all things necessary to acquire, the proposed site of the Project and shall do, is doing or has done all things necessary to construct the Project in accordance with the plans, specifications and designs prepared for the Governmental Agency by the Consulting Engineers.

2.3 All real estate and interests in real estate and all personal property constituting the Project and the Project site heretofore or hereafter acquired shall at all times be and remain the property of the Governmental Agency, subject to any mortgage lien or other security interest as is provided for in the Local Statute unless a sale or transfer of all or a portion of said property or any interest therein is approved by the Authority and Council.

2.4 The Governmental Agency agrees that the Authority and the Council and their duly authorized agents shall have the right at all reasonable times to enter upon the Project site and Project facilities and to examine and inspect the same. The Governmental

Agency further agrees that the Authority and the Council and their duly authorized agents and representatives shall, prior to, during and after completion of construction and commencement of operation of the Project, have such rights of access to the System site and System facilities as may be reasonably necessary to accomplish all of the powers and rights of the Authority and the Council with respect to the System pursuant to the pertinent provisions of the Act.

2.5 The Governmental Agency shall keep complete and accurate records of the cost of acquiring the Project site and the costs of constructing, acquiring and installing the Project. The Governmental Agency shall permit the Authority and the Council, acting by and through their directors or their duly authorized agents and representatives, to inspect all books, documents, papers and records relating to the Project and the System at any and all reasonable times for the purpose of audit and examination, and the Governmental Agency shall submit to the Authority and the Council such documents and information as they may reasonably require in connection with the construction, acquisition and installation of the Project, the operation and maintenance of the System and the administration of the Loan or of any State and federal grants or other sources of financing for the Project.

2.6 The Governmental Agency agrees that it will permit the Authority and the Council and their agents and representatives to have access to the records of the Governmental Agency pertaining to the operation and maintenance of the System at any reasonable time following completion of construction of the Project and commencement of operation thereof or if the Project is an improvement to an existing system at any reasonable time following commencement of construction.

2.7 The Governmental Agency shall require that each construction contractor furnish a performance bond and a payment bond, each in an amount at least equal to one hundred percent (100%) of the contract price of the portion of the Project covered by the particular contract as security for the faithful performance of such contract and shall verify or have verified such bonds prior to commencement of construction.

2.8 The Governmental Agency shall require that each of its contractors and all subcontractors maintain, during the life of the construction contract, workers' compensation coverage, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Council and the Authority and shall verify or have verified such insurance prior to commencement of construction. Until the Project facilities are completed and accepted by the Governmental Agency, the Governmental Agency or (at the option of the Governmental Agency) the contractor shall maintain builder's risk insurance (fire and extended coverage) on a one hundred percent (100%) basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Governmental Agency, the prime contractor and all subcontractors, as their interests may appear. If facilities of the System which are detrimentally affected by flooding are or will be located in designated special flood or mudslide-prone areas and if flood insurance is available at a reasonable cost, a flood insurance policy must be obtained by the Governmental Agency on or before the Date of

Loan Closing, as hereinafter defined, and maintained so long as any of the Local Bonds is outstanding. Prior to commencing operation of the Project, the Governmental Agency must also obtain, and maintain so long as any of the Local Bonds are outstanding, business interruption insurance if available at a reasonable cost.

2.9 The Governmental Agency shall provide and maintain competent and adequate engineering services satisfactory to the Council and the Authority covering the supervision and inspection of the development and construction of the Project, and bearing the responsibility of assuring that construction conforms to the plans, specifications and designs prepared by the Consulting Engineers, which have been approved by all necessary governmental bodies. Such engineer shall certify to the Authority, the Council and the Governmental Agency at the completion of construction that construction is in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies.

2.10 The Governmental Agency shall at all times provide operation and maintenance of the System in compliance with any and all State and federal standards. The Governmental Agency shall employ qualified operating personnel properly certified by the State to operate the System during the entire term of this Loan Agreement.

2.11 The Governmental Agency hereby covenants and agrees to comply with all applicable laws, rules and regulations issued by the Council, the Authority or other State, federal or local bodies in regard to the construction of the Project and operation, maintenance and use of the System.

2.12 The Governmental Agency, commencing on the date contracts are executed for the acquisition or construction of the Project and for two years following the completion of acquisition or construction of the Project, shall each month complete a Monthly Financial Report, the form of which is attached hereto as Exhibit C and incorporated herein by reference, and forward a copy by the 10th of each month to the Authority and Council.

ARTICLE III

Conditions to Loan;
Issuance of Local Bonds

3.1 The agreement of the Authority and Council to make the Loan is subject to the Governmental Agency's fulfillment, to the satisfaction of the Authority and the Council, of each and all of those certain conditions precedent on or before the delivery date for the Local Bonds, which shall be the date established pursuant to Section 3.4 hereof. Said conditions precedent are as follows:

(a) The Governmental Agency shall have performed and satisfied all of the terms and conditions to be performed and satisfied by it in this Loan Agreement;

(b) The Governmental Agency shall have authorized the issuance of and delivery to the Authority of the Local Bonds described in this Article III and in Article IV hereof;

(c) The Governmental Agency shall either have received bids or entered into contracts for the construction of the Project which are in an amount and otherwise compatible with the plan of financing described in the Application; provided that, if the Loan will refund an interim construction financing, the Governmental Agency must either be constructing or have constructed its Project for a cost and as otherwise compatible with the plan of financing described in the Application; and, in either case, the Authority and the Council shall have received a certificate of the Consulting Engineers to such effect, the form of which certificate is attached hereto as Exhibit A;

(d) The Governmental Agency shall have obtained all permits required by the laws of the State and the federal government necessary for the construction of the Project, and the Authority and the Council shall have received a certificate of the Consulting Engineers to such effect;

(e) The Governmental Agency shall have obtained all requisite orders of and approvals from the Public Service Commission of West Virginia (the "PSC") and the Council necessary for the construction of the Project and operation of the System, with all requisite appeal periods having expired without successful appeal, and the Authority and the Council shall have received an opinion of counsel to the Governmental Agency, which may be local counsel to the Governmental Agency, bond counsel or special PSC counsel but must be satisfactory to the Authority and the Council, to such effect;

(f) The Governmental Agency shall have obtained any and all approvals for the issuance of the Local Bonds required by State law, and the Authority and the Council shall have received an opinion of counsel to the Governmental Agency, which may be local counsel to the Governmental Agency, bond counsel or special PSC counsel but must be satisfactory to the Authority, to such effect;

(g) The Governmental Agency shall have obtained any and all approvals of rates and charges required by State law and shall have taken any other action required to establish and impose such rates and charges (imposition of such rates and charges is not, however, required to be effective until completion of construction of the Project), with all requisite appeal periods having expired without successful appeal, and the Authority and the Council shall have received an opinion of counsel to the Governmental Agency, which may be local counsel to the Governmental Agency, bond counsel or special PSC counsel but must be satisfactory to the Authority and the Council, to such effect;

(h) Such rates and charges for the System shall be sufficient to comply with the provisions of Subsections 4.1(a) and 4.1(b)(ii) hereof, and the Authority and the Council shall have received a certificate of the accountant for the Governmental Agency, or such other person or firm experienced in the finances of governmental agencies and satisfactory to the Authority and the Council, to such effect; and

(i) The net proceeds of the Local Bonds, together with all moneys on deposit or to be simultaneously deposited (or, with respect to proceeds of grant anticipation notes or other indebtedness for which a binding purchase contract has been entered, to be deposited on a date certain) and irrevocably pledged thereto and the proceeds of grants irrevocably committed therefor, shall be sufficient to pay the costs of construction and acquisition of the Project as set forth in the Application, and the Authority shall have received a certificate of the Consulting Engineers, or such other person or firm experienced in the financing of projects and satisfactory to the Authority and the Council, to such effect, such certificate to be in form and substance satisfactory to the Authority and the Council, and evidence satisfactory to the Authority and the Council of such irrevocably committed grants.

3.2 Subject to the terms and provisions of this Loan Agreement, the rules and regulations promulgated by the Authority, the Council or any other appropriate State agency and any applicable rules, regulations and procedures promulgated from time to time by the federal government, it is hereby agreed that the Authority shall make the Loan to the Governmental Agency and the Governmental Agency shall accept the Loan from the Authority, and in furtherance thereof it is agreed that the Governmental Agency shall sell to the Authority and the Authority shall make the Loan by purchasing the Local Bonds in the principal amount and at the price set forth in Schedule X hereto. The Local Bonds shall have such further terms and provisions as described in Article IV hereof.

3.3 The Loan shall be secured and shall be repaid in the manner hereinafter provided in this Loan Agreement.

3.4 The Local Bonds shall be delivered to the Authority, at the offices of the Authority, on a date designated by the Governmental Agency by written notice to the Authority, which written notice shall be given not less than ten (10) business days prior to the date designated; provided, however, that if the Authority is unable to accept delivery on the date designated, the Local Bonds shall be delivered to the Authority on a date as close as possible to the designated date and mutually agreeable to the Authority, the Council and the Governmental Agency. The date of delivery so designated or agreed upon is hereinafter referred to as the "Date of Loan Closing." Notwithstanding the foregoing, the Date of Loan Closing shall in no event occur more than ninety (90) days after the date of execution of this Loan Agreement by the Authority or such later date as is agreed to in writing by the Council.

3.5 The Governmental Agency understands and acknowledges that it is one of several governmental agencies which have applied to the Council for loans from the Infrastructure Fund to finance projects and that the obligation of the Authority to make any such loan is subject to the Council's authorization and the Governmental Agency's fulfilling

all of the terms and conditions of this Loan Agreement on or prior to the Date of Loan Closing. The Governmental Agency specifically recognizes that the Authority will not purchase the Local Bonds unless and until sufficient funds are available in the Infrastructure Fund to purchase all the Local Bonds and that, prior to execution of this Loan Agreement, the Authority may commit to and purchase the revenue bonds of other governmental agencies for which it has sufficient funds available.

ARTICLE IV

Local Bonds; Security for Loan; Repayment of Loan; Interest on Loan; Fees and Charges

4.1 The Governmental Agency shall, as one of the conditions of the Authority to make the Loan, authorize the issuance of and issue the Local Bonds pursuant to an official action of the Governmental Agency in accordance with the Local Statute, which shall, as adopted or enacted, contain provisions and covenants in substantially the form as follows, unless the specific provision or covenant is modified or waived by the Council:

(a) That the gross revenues of the System shall always be used for purposes of the System. Such gross revenues shall be used monthly, in the order of priority listed below:

(i) to pay Operating Expenses of the System;

(ii) to the extent not otherwise limited by any outstanding loan resolution, indenture or other act or document and beginning on the date set forth in Schedule X, to provide debt service on the Local Bonds by depositing in a sinking fund one-third (1/3) of the interest payment next coming due on the Local Bonds and one-third (1/3) of the principal payment next coming due on the Local Bonds and, beginning three (3) months prior to the first date of payment of principal of the Local Bonds, if the reserve account for the Local Bonds (the "Reserve Account") was not funded from proceeds of the Local Bonds or otherwise concurrently with the issuance thereof (which, with an approving opinion of bond counsel to the Governmental Agency, may be with a letter of credit or surety) in an amount equal to the maximum amount of principal and interest which will come due on the Local Bonds in the then current or any succeeding year (the "Reserve Requirement"), by depositing in the Reserve Account an amount not less than one-twelfth (1/12) of one-tenth (1/10) of the Reserve Requirement or, if the Reserve Account has been so funded (whether by Local Bond proceeds, monthly deposits or otherwise), any amount necessary to maintain the Reserve Account at the Reserve Requirement;

(iii) to create a renewal and replacement, or similar, fund in an amount equal to two and one-half percent (2-1/2%) of the gross revenues from the System, exclusive of any payments into the Reserve Account, for the purpose of improving

or making emergency repairs or replacements to the System or eliminating any deficiencies in the Reserve Account; and

(iv) for other legal purposes of the System, including payment of debt service on other obligations junior, subordinate and inferior to the Local Bonds.

Provided, that if the Governmental Agency has existing outstanding indebtedness which has greater coverage or renewal and replacement fund requirements, then the greater requirements will prevail until said existing indebtedness is paid in full.

(b) Covenants substantially as follows:

(i) That the Local Bonds shall be secured by a pledge of either the gross or net revenues of the System, as more fully set forth in Schedule X attached hereto and in the Local Act;

(ii) That the schedule of rates or charges for the services of the System shall be sufficient to provide funds which, along with other revenues of the System, will pay all Operating Expenses and leave a balance each year equal to at least one hundred fifteen percent (115%) of the maximum amount required in any year for debt service on the Local Bonds and all other obligations secured by a lien on or payable from the revenues of the System prior to or on a parity with the Local Bonds or, if the Reserve Account is funded (whether by Local Bond proceeds, monthly deposits or otherwise) at an amount equal to the Reserve Requirement and any reserve account for any such prior or parity obligations is funded at least at the requirement therefor, equal to at least one hundred ten percent (110%) of the maximum amount required in any year for debt service on the Local Bonds and any such prior or parity obligations;

(iii) That the Governmental Agency shall complete the Project and operate and maintain the System in good condition;

(iv) That, except as otherwise required by State law or with the written consent of the Council and the Authority, the System may not be sold, mortgaged, leased or otherwise disposed of, except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Local Bonds outstanding, with further restrictions on the disposition of portions of the System as are normally contained in such covenants;

(v) That the Governmental Agency shall not issue any other obligations payable from the revenues of the System which rank prior to, or equally, as to lien and security with the Local Bonds, except parity bonds which shall only be issued if net revenues of the System prior to issuance of such parity bonds, plus reasonably projected revenues from rate increases and the improvements to be financed by such parity bonds, shall not be less than one hundred fifteen percent (115%) of the maximum debt service in any succeeding year on all Local Bonds and parity bonds theretofore and then being issued and

on any obligations secured by a lien on or payable from the revenues of the System prior to the Local Bonds and with the prior written consent of the Authority and the Council; provided, however, that additional parity bonds may be issued to complete the Project, as described in the Application as of the date hereof, without regard to the foregoing;

(vi) That the Governmental Agency will carry such insurance as is customarily carried with respect to works and properties similar to the System, including those specified by Section 2.8 hereof;

(vii) That the Governmental Agency will not render any free services of the System;

(viii) That the Authority may, by proper legal action, compel the performance of the duties of the Governmental Agency under the Local Act, including the making and collection of sufficient rates or charges for services rendered by the System, and shall also have, in the event of a default in payment of principal of or interest on the Local Bonds, the right to obtain the appointment of a receiver to administer the System or construction of the Project, or both, as provided by law;

(ix) That, to the extent authorized by the laws of the State and the rules and regulations of the PSC, all delinquent rates and charges, if not paid when due, shall become a lien on the premises served by the System;

(x) That, to the extent legally allowable, the Governmental Agency will not grant any franchise to provide any services which would compete with the System;

(xi) That the Governmental Agency shall annually cause the records of the System to be audited by an independent certified public accountant or independent public accountant and shall submit the report of said audit to the Authority and the Council, which report shall include a statement that the Governmental Agency is in compliance with the terms and provisions of the Local Act and this Loan Agreement and that the Governmental Agency's revenues are adequate to meet its Operating Expenses and debt service and reserve requirements;

(xii) That the Governmental Agency shall annually adopt a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding fiscal year and shall submit a copy of such budget to the Authority and the Council within 30 days of adoption thereof;

(xiii) That, to the extent authorized by the laws of the State and the rules and regulations of the PSC, prospective users of the System shall be required to connect thereto;

(xiv) That the proceeds of the Local Bonds, advanced from time to time, must (a) be deposited in a construction fund, which, except as otherwise agreed to in writing by the Authority, shall be held separate and apart from all other funds of the Governmental Agency and on which the owners of the Local Bonds shall have a lien until such proceeds are applied to the construction of the Project (including the repayment of any incidental interim financing) and/or (b) be used to pay (or redeem) bond anticipation notes or other interim financing of such Governmental Agency, the proceeds of which were used to finance the construction of the Project; provided that, with the prior written consent of the Authority and the Council, the proceeds of the Local Bonds may be used to fund all or a portion of the Reserve Account, on which the owner of the Local Bonds shall have a lien as provided herein;

(xv) That, as long as the Authority is the owner of any of the Local Bonds, the Governmental Agency may not redeem any Local Bonds by it without the written consent of the Authority and the Council and otherwise in compliance with this Loan Agreement;

(xvi) That the West Virginia Municipal Bond Commission (the "Commission") shall serve as paying agent for the Local Bonds;

(xvii) That the Governmental Agency shall on the first day of each month (if the first day is not a business day, then the first business day of each month) deposit with the Commission the required interest, principal and reserve account payment. The Governmental Agency shall complete the Monthly Payment Form, attached hereto as Exhibit D and incorporated herein by reference, and submit a copy of said form along with a copy of the check or electronic transfer to the Authority by the 5th day of such calendar month;

(xviii) That, unless it qualifies for an exception to the provisions of Section 148 of the Internal Revenue Code of 1986, as amended, which exception shall be set forth in an opinion of bond counsel, the Governmental Agency will furnish to the Authority, annually, at such time as it is required to perform its rebate calculations under the Internal Revenue Code of 1986, as amended, a certificate with respect to its rebate calculations and, at any time, any additional information requested by the Authority;

(xix) That the Governmental Agency shall take any and all action, or shall refrain from taking any action regarding the use of the proceeds of the Local Bonds, as shall be deemed necessary by the Authority to maintain the exclusion from gross income for federal income tax purposes of interest on the State's general obligation bonds or any bonds secured by the Local Bonds;

(xx) That the Governmental Agency shall have obtained the certificate of the Consulting Engineer in the form attached hereto as Exhibit A, to the effect that the Project has been or will be constructed in accordance with the approved plans, specifications and design as submitted to the Authority and the Council, the Project is

adequate for the purposes for which it was designed, the funding plan as submitted to the Authority and the Council is sufficient to pay the costs of acquisition and construction of the Project and all permits required by federal and State laws for construction of the Project have been obtained;

(xxi) That the Governmental Agency shall, to the full extent permitted by applicable law and the rules and regulations of the PSC, terminate the services of any water facility owned by it to any customer of the System who is delinquent in payment of charges for services provided by the System and will not restore the services of the water facility until all delinquent charges for the services of the System have been fully paid or, if the water facility is not owned by the Governmental Agency, then the Governmental Agency shall enter into a termination agreement with the water provider;

(xxii) That the Governmental Agency shall furnish to the Authority such information with respect to earnings on all funds constituting "gross proceeds" of the Local Bonds (as that term is defined in the Internal Revenue Code of 1986, as amended) from time to time as the Authority may request;

(xxiii) That the Governmental Agency shall submit all proposed change orders to the Council for written approval. The Governmental Agency shall obtain the written approval of the Council before expending any proceeds of the Local Bonds held in "contingency" as set forth in the final Schedule B attached to the certificate of the Consulting Engineer. The Governmental Agency shall obtain the written approval of the Council before expending any proceeds of the Local Bonds available due to bid/construction/project underruns;

(xxiv) That the Governmental Agency shall list the funding provided by the Authority and the Council in any press release, publication, program bulletin, sign or other public communication that references the Project, including but not limited to any program document distributed in conjunction with any groundbreaking or dedication of the Project; and

(xxv) That, unless it qualifies for an exception, the Governmental Agency shall comply with all the requirements of Chapter 21, Article 1C of the Code of West Virginia, 1931, as amended (the "West Virginia Jobs Act") and shall require its contractors and subcontractors to comply with the West Virginia Jobs Act. The Governmental Agency shall provide the Council and the Authority with a certificate stating that (I) the Governmental Agency will comply with all the requirements of the West Virginia Jobs Act; (II) the Governmental Agency has included the provisions of the West Virginia Jobs Act in each contract and subcontract for the Project; (III) the Governmental Agency has received or will receive, prior to entering into contracts or subcontracts, from each contractor or subcontractor a certificate demonstrating compliance with Section 4 of the West Virginia Jobs Act or waiver certificates from the West Virginia Division of Labor ("DOL"); and (IV) the Governmental Agency will file with the DOL and the Council copies of the waiver certificates and certified payrolls or comparable documents that include the number of employees, the county and state wherein the employees reside and their occupation,

following the procedures established by the DOL. The monthly requisitions submitted to the Council shall also certify that the Governmental Agency is monitoring compliance by its contractors and subcontractors and that the required information has been submitted.

The Governmental Agency hereby represents and warrants that the Local Act has been or shall be duly adopted in compliance with all necessary corporate and other action and in accordance with applicable provisions of law. All legal matters incident to the authorization, issuance, validity, sale and delivery of the Local Bonds shall be approved without qualification by recognized bond counsel acceptable to the Authority in substantially the form of legal opinion attached hereto as Exhibit B.

4.2 The Loan shall be secured by the pledge and assignment by the Governmental Agency, as effected by the Local Act, of the fees, charges and other revenues of the Governmental Agency from the System as further set forth by and subject only to such reservations and exceptions as are described in Schedules X and Y hereto or are otherwise expressly permitted in writing by the Authority and the Council.

4.3 The principal of the Loan shall be repaid by the Governmental Agency on the days and in the years provided in Schedule X hereto. Interest payments on the Loan shall be made by the Governmental Agency on a quarterly basis as provided in said Schedule X.

4.4 The Loan shall bear interest from the date and at the rate or rates per annum set forth on Schedule X hereto. In no event shall the interest rate on or the net interest cost of the Local Bonds exceed any statutory limitation with regard thereto.

4.5 The Local Bonds shall be delivered to the Authority in fully registered form, transferable and exchangeable as provided in the Local Act at the expense of the Governmental Agency. Anything to the contrary herein notwithstanding, the Local Bonds may be issued in one or more series, as reflected by Schedule X hereto.

4.6 The Governmental Agency agrees to expend the net proceeds of the Local Bonds for the Project within 3 years of the issuance of the bonds which are the source of money used to purchase the Local Bonds, unless otherwise agreed to by the Council.

ARTICLE V

Certain Covenants of the Governmental Agency; Imposition and Collection of User Charges; Payments To Be Made by Governmental Agency to the Authority

5.1 The Governmental Agency hereby irrevocably covenants and agrees to comply with all of the terms, conditions and requirements of this Loan Agreement and the Local Act. The Governmental Agency hereby further irrevocably covenants and agrees that, as one of the conditions of the Authority to make the Loan, it has fixed and collected, or will fix and collect, the rates, fees and other charges for the use of the System and will take all such actions necessary to provide funds sufficient to produce the required sums set forth in the Local Act and in compliance with the provisions of Subsections 4.1(a) and 4.1(b)(ii) hereof.

5.2 In the event, for any reason, the schedule of rates, fees and charges initially established for the System in connection with the Local Bonds shall prove to be insufficient to produce the required sums set forth in the Local Act and this Loan Agreement, the Governmental Agency hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates, fees and charges (or where applicable, immediately file with the PSC for a rate increase) and take all such actions necessary to provide funds sufficient to produce the required sums set forth in the Local Act and this Loan Agreement.

5.3 In the event the Governmental Agency defaults in the payment due to the Authority pursuant to this Loan Agreement, the amount of such default shall bear interest at the interest rate of the installment of the Loan next due, from the date of the default until the date of the payment thereof.

5.4 The Governmental Agency hereby irrevocably covenants and agrees with the Authority that, in the event of any default hereunder by the Governmental Agency, the Authority may exercise any or all of the rights and powers granted under the Act and State law, including, without limitation, the right to an appointment of a receiver.

ARTICLE VI

Other Agreements of the Governmental Agency

6.1 The Governmental Agency hereby warrants and represents that all information provided to the Authority and the Council in this Loan Agreement, in the Application or in any other application or documentation with respect to financing the Project was at the time, and now is, true, correct and complete, and such information does not omit

any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Prior to the Authority's making the Loan and receiving the Local Bonds, the Authority and the Council shall have the right to cancel all or any of their obligations under this Loan Agreement if (a) any representation made to the Authority and the Council by the Governmental Agency in connection with the Loan shall be incorrect or incomplete in any material respect or (b) the Governmental Agency has violated any commitment made by it in its Application or in any supporting documentation or has violated any of the terms of the Act or this Loan Agreement.

6.2 The Governmental Agency hereby covenants that it will rebate any amounts required by Section 148 of the Internal Revenue Code of 1986, as amended, and will take all steps necessary to make any such rebates. In the event the Governmental Agency fails to make any such rebates as required, then the Governmental Agency shall pay any and all penalties, obtain a waiver from the Internal Revenue Service and take any other actions necessary or desirable to preserve the exclusion from gross income for federal income tax purposes of interest on the Local Bonds.

6.3 Notwithstanding Section 6.2, the Authority may at any time, in its sole discretion, cause the rebate calculations prepared by or on behalf of the Governmental Agency to be monitored or cause the rebate calculations for the Governmental Agency to be prepared, in either case at the expense of the Governmental Agency.

6.4 The Governmental Agency hereby agrees to give the Authority and the Council prior written notice of the issuance by it of any other obligations to be used for the System, payable from the revenues of the System or from any grants for the Project or otherwise related to the Project or the System.

6.5 The Governmental Agency hereby agrees to file with the Authority and the Council upon completion of acquisition and construction of the Project a schedule in substantially the form of Amended Schedule B to the Application, setting forth the actual costs of the Project and sources of funds therefor.

ARTICLE VII

Miscellaneous

7.1 Additional definitions, additional terms and provisions of the Loan and additional covenants and agreements of the Governmental Agency, if any, may be set forth in Schedule Z attached hereto and incorporated herein by reference, with the same effect as if contained in the text of this Loan Agreement.

7.2 Schedules X and Y shall be attached to this Loan Agreement by the Authority as soon as practicable after the Date of Loan Closing is established and shall be

approved by an official action of the Governmental Agency supplementing the Local Act, a certified copy of which official action shall be submitted to the Authority and the Council.

7.3 The Authority shall take all actions required by the Council in making and enforcing this Loan Agreement.

7.4 If any provision of this Loan Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such provision shall not affect any of the remaining provisions of this Loan Agreement, and this Loan Agreement shall be construed and enforced as if such invalid or unenforceable provision had not been contained herein.

7.5 This Loan Agreement may be executed in one or more counterparts, any of which shall be regarded for all purposes as an original and all of which constitute but one and the same instrument. Each party agrees that it will execute any and all documents or other instruments and take such other actions as may be necessary to give effect to the terms of this Loan Agreement.

7.6 No waiver by either party of any term or condition of this Loan Agreement shall be deemed or construed as a waiver of any other terms or conditions, nor shall a waiver of any breach be deemed to constitute a waiver of any subsequent breach, whether of the same or of a different section, subsection, paragraph, clause, phrase or other provision of this Loan Agreement.

7.7 This Loan Agreement supersedes all prior negotiations, representations and agreements between the parties hereto relating to the Loan and constitutes the entire agreement between the parties hereto in respect thereof.

7.8 The Authority acknowledges that certain terms and requirements in this Loan Agreement may not be applicable when the Project is financed in part by the West Virginia Department of Environmental Protection, Office of Abandoned Mine Lands and under that circumstance those terms and requirements are specifically waived or modified as agreed to by the Authority and set forth in the Local Act.

7.9 By execution and delivery of this Loan Agreement, notwithstanding the date hereof, the Governmental Agency specifically recognizes that it is hereby agreeing to sell its Local Bonds to the Authority and that such obligation may be specifically enforced or subject to a similar equitable remedy by the Authority.

7.10 This Loan Agreement shall terminate upon the earlier of:

(i) the end of ninety (90) days after the date of execution hereof by the Authority or such later date as is agreed to in writing by the Council if the Governmental Agency has failed to deliver the Local Bonds to the Authority;

(ii) termination by the Authority and the Council pursuant to Section 6.1 hereof; or

(iii) payment in full of the principal of and interest on the Loan and of any fees and charges owed by the Governmental Agency to the Authority, acting on behalf of the Council.

IN WITNESS WHEREOF, the parties hereto have caused this Loan Agreement to be executed by their respective duly authorized officers as of the date executed below by the Authority.

CLAY-ROANE PUBLIC SERVICE DISTRICT

(SEAL)

By: Melissa Postelwait
Its: Chairperson
Date: November 12, 2004

Attest:

Crystal McKinney
Its: Secretary

WEST VIRGINIA WATER
DEVELOPMENT AUTHORITY

(SEAL)

By: Daniel B. Yankosky
Its: Director
Date: November 12, 2004

Attest:

Barbara B. Meadows
Its: Secretary-Treasurer

000832/00466
10/04/04

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EXHIBIT A

FORM OF CERTIFICATE OF CONSULTING ENGINEER

_____
(Issuer)

_____
(Name of Bonds)

I, _____, Registered Professional Engineer, West Virginia License No. _____, of _____, Consulting Engineers,_____, _____ hereby certify as follows:

1. My firm is engineer for the acquisition and construction of _____ to the _____ system (the "Project") of _____ (the "Issuer"), to be constructed primarily in _____ County, West Virginia, which acquisition and construction are being permanently financed in part by the above-captioned bonds (the "Bonds") of the Issuer. Capitalized words not defined herein shall have the same meanings set forth in the bond _____ adopted or enacted by the Issuer on _____, and the Loan Agreement by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), dated _____.

2. The Bonds are being issued for the purposes of (i) _____, and (ii) paying certain issuance and other costs in connection therewith.

3. To the best of my knowledge, information and belief, (i) within the limits and in accordance with the applicable and governing contractual requirements relating to the Project, the Project will be constructed in general accordance with the approved plans, specifications and designs prepared by my firm and approved by [DEP/BPH/PSC] and any change orders approved by the Issuer, the Council and all necessary governmental bodies; (ii) the Project, as designed, is adequate for its intended purpose and has a useful life of at least ___years if properly operated and maintained, excepting anticipated replacements due to normal wear and tear; (iii) the Issuer has received bids for the acquisition and construction of the Project which are in an amount and otherwise compatible with the plan of financing

set forth in the Schedule B attached hereto as Exhibit A and my firm[1] has ascertained that all successful bidders have made required provisions for all insurance and payment and performance bonds and that such insurance policies or binders and such bonds have been verified for accuracy; (iv) the successful bidders received any and all addenda to the original bid documents; (v) the bid documents relating to the Project reflect the Project as approved by the [DEP/BPH/PSC] and the bid forms provided to the bidders contain all critical operational components of the Project; (vi) the successful bids include prices for every item on such bid forms; (vii) the uniform bid procedures were followed; (viii) the Issuer has obtained all permits required by the laws of the State of West Virginia and the United States necessary for the acquisition and construction of the Project and operation of the System; (ix) as of the effective date thereof, [2]the rates and charges for the System as adopted by the Issuer will be sufficient to comply with the provisions of the Loan Agreement; (x) the net proceeds of the Bonds, together with all other moneys on deposit or to be simultaneously deposited and irrevocably pledged thereto and the proceeds of grants, if any, irrevocably committed therefor, are sufficient to pay the costs of acquisition and construction of the Project set forth in the Schedule B attached hereto and approved by the Council; and (xi) attached hereto as Exhibit A is the final amended "Schedule B - Final Total Cost of Project, Sources of Funds and Costs of Financing" for the Project.

WITNESS my signature and seal on this ____ day of _____, ___.

[SEAL]

_____

By: _____
West Virginia License No. _____

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[1]If another responsible party, such as the Issuer's attorney, reviews the insurance and payment bonds, then insert the following: [and in reliance upon the opinion of _____, Esq.] and delete "my firm has ascertained that".

[2]If the Rule 42 Exhibit and/or rate structure was prepared by an accountant, then insert the following: "In reliance upon the certificate of _____ of even date herewith," at the beginning of (ix).

EXHIBIT B

OPINION OF BOND COUNSEL FOR GOVERNMENTAL AGENCY

[To Be Dated as of Date of Loan Closing]

West Virginia Infrastructure and
Jobs Development Council
300 Summers Street, Suite 980
Charleston, West Virginia 25301

West Virginia Water Development Authority
180 Association Drive
Charleston, West Virginia 25311

Ladies and Gentlemen:

We are bond counsel to _____ (the "Governmental Agency"), a _____.

We have examined a certified copy of proceedings and other papers relating to the authorization of (i) a loan agreement dated _____, _____, including all schedules and exhibits attached thereto (the "Loan Agreement"), between the Governmental Agency and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), and (ii) the issue of a series of revenue bonds of the Governmental Agency, dated _____, _____ (the "Local Bonds"), to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Local Bonds are issued in the principal amount of $_____, in the form of one bond, registered as to principal and interest to the Authority, with interest and principal payable quarterly on March 1, June 1, September 1 and December 1 of each year, beginning _____, 1, _____, and ending _____, 1, _____, as set forth in the "Schedule Y" attached to the Loan Agreement and incorporated in and made a part of the Local Bonds.

The Local Bonds are issued for the purposes of (i) _____, and (ii) paying certain issuance and other costs in connection therewith.

We have also examined the applicable provisions of _____ of the Code of West Virginia, 1931, as amended (the "Local Statute"), and the bond _____ duly adopted or enacted by the Governmental Agency on _____, as supplemented by the supplemental resolution duly adopted by the Governmental Agency on _____ (collectively, the "Local Act"), pursuant to and under which Local Statute and Local Act the Local Bonds are authorized and issued, and the Loan Agreement has been undertaken. The Local Bonds are subject to redemption prior

to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Local Act and the Loan Agreement.

Based upon the foregoing and upon our examination of such other documents as we have deemed necessary, we are of the opinion as follows:

1. The Loan Agreement has been duly authorized by and executed on behalf of the Governmental Agency and is a valid and binding special obligation of the Governmental Agency, enforceable in accordance with the terms thereof.

2. The Loan Agreement inures to the benefit of the Authority and the Council and cannot be amended so as to affect adversely the rights of the Authority or the Council or diminish the obligations of the Governmental Agency without the consent of the Authority and the Council.

3. The Governmental Agency is a duly organized and validly existing _____, with full power and authority to acquire and construct the Project, to operate and maintain the System, to adopt or enact the Local Act and to issue and sell the Local Bonds, all under the Local Statute and other applicable provisions of law.

4. The Local Act and all other necessary orders and resolutions have been legally and effectively adopted or enacted by the Governmental Agency and constitute valid and binding obligations of the Governmental Agency, enforceable against the Governmental Agency in accordance with their terms. The Local Act contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreement.

5. The Local Bonds have been duly authorized, issued, executed and delivered by the Governmental Agency to the Authority and are valid, legally enforceable and binding special obligations of the Governmental Agency, payable from the net or gross revenues of the System set forth in the Local Act and secured by a first lien on and pledge of the net or gross revenues of the System, all in accordance with the terms of the Local Bonds and the Local Act.

6. The Local Bonds are, by statute, exempt _____, and under existing statutes and court decisions of the United States of America, as presently written and applied, the interest on the Local Bonds is excludable from the gross income of the recipients thereof for federal income tax purposes.

No opinion is given herein as to the effect upon enforceability of the Local Bonds of bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights or in the exercise of judicial discretion in appropriate cases.

We have examined the executed and authenticated Local Bond numbered R-1, and in our opinion the form of said bond and its execution and authentication are regular and proper.

Very truly yours,

EXHIBIT C

MONTHLY FINANCIAL REPORT

Name of Governmental Agency _____
Name of Bond Issue(s) _____
Type of Project _____ **Water** _____ **Wastewater**
Fiscal Year _____ **Report Month** _____

Item	Current Month	Total Year To Date	Budget Year To Date	Budget Year To Date Minus Total Year To Date
1. Gross Revenues				
2. Operating Expenses				
3. Bond Payments:				
Type of Issue				
Clean Water SRF				
Drinking Water TRF				
Infrastructure Fund				
Water Development Authority				
Rural Utilities Service				
Economic Development Administration				
Other (Identify)				
_____				
_____				
4. Renewal and Replacement Fund Deposits				

_____
Name of Person Completing Form

_____
Address

_____
Telephone

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INSTRUCTIONS FOR COMPLETING MONTHLY FINANCIAL REPORT

Item 1 You will need a copy of the current fiscal year budget adopted by the Governmental Agency to complete Items 1 and 2. In Item 1, provide the amount of actual **Gross Revenues** for the current month and the total amount year-to-date in the respective columns. Divide the budgeted annual Gross Revenues by 12. For example, if Gross Revenues of $1,200 are anticipated to be received for the year, each month the base would be increased by $100 ($1,200/12). This is the incremental amount for the Budget Year-to-Date column.

Item 2 Provide the amount of actual **Operating Expenses** for the current month and the total amount year-to-date in the respective columns. Any administrative fee should be included in the Operating Expenses. Divide the budgeted annual Operating Expenses by 12. For example, if Operating Expenses of $900 are anticipated to be incurred for the year, each month the base would be increased by $75 ($900/12). This is the incremental amount for the Budget Year-to-Date column.

Item 3 Provide the **Bond Payments (principal, interest and reserve account)** for all the outstanding bonds of the Governmental Agency according to the source of funding. For example, Clean Water State Revolving Fund loan from Department of Environmental Protection, Drinking Water Treatment Revolving Fund loan from Bureau for Public Health, Infrastructure Fund loan from Infrastructure and Jobs Development Council, or a loan from the Water Development Authority, etc.

Item 4 Provide the amount deposited into the **Renewal and Replacement Fund** each month. This amount is equal to 2.5% of Gross Revenues minus the total reserve account payments included in Item 3. If Gross Revenues are $1,200, then $30 (2.5% of $1,200), LESS the amount of all reserve account payments in Item 3 should be deposited into the Renewal and Replacement Fund. The money in the Renewal and Replacement Fund should be kept separate and apart from all other funds of the Governmental Agency.

The Governmental Agency must complete the Monthly Financial Report and forward it to the Water Development Authority by the 10th day of each month, commencing on the date contracts are executed for the acquisition or construction of the Project and for two years following the completion of acquisition or construction of the Project.

EXHIBIT D

MONTHLY PAYMENT FORM

West Virginia Water Development Authority
180 Association Drive
Charleston, WV 25311

Re: [Name of bond issue]

Ladies and Gentlemen:

The following deposits were made to the West Virginia Municipal Bond Commission on behalf of [Name of Governmental Agency] on [Date].

Sinking Fund:

Interest	$____
Principal	$____
Total:	$____
Reserve Account:	$____

Witness my signature this ___ day of_____.

[Name of Governmental Agency]

By: _____
Authorized Officer

Enclosure: copy of check(s)

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SCHEDULE X

DESCRIPTION OF LOCAL BONDS

Principal Amount of Local Bonds	$1,000,000
Purchase Price of Local Bonds	$1,000,000

The Local Bonds shall bear no interest. Commencing December 1, 2006, principal of the Local Bonds is payable quarterly. Quarterly payments will be made on March 1, June 1, September 1 and December 1 of each year as set forth on the Schedule Y attached hereto and incorporated herein by reference.

The Governmental Agency shall submit its payments monthly to the Commission which will make quarterly payments to the Authority at such address as is given to the Commission in writing by the Authority.

The Local Bonds are fully registered in the name of the Authority as to interest, if any, and principal and the Local Bonds shall grant the Authority a first lien on the gross or net revenues of the Governmental Agency's system as provided in the Local Act.

The Governmental Agency may prepay the Local Bonds in full at any time at the price of par but only with the Council's written consent. The Governmental Agency shall request approval from the Authority and Council in writing of any proposed debt which will be issued by the Governmental Agency on a parity with the Local Bonds which request must be filed at least 60 days prior to the intended date of issuance.

As of the date of the Loan Agreement, the Local Bonds are on a parity as to liens, pledge and source of and security for payment with the following obligations of the Governmental Agency:

1. Water Revenue Bond, Series 1982, dated September 24, 1982, issued in the original aggregate principal amount of $192,000 (assumed by the Governmental Agency from Procious Public Service District).

2. Water Revenue Bond, Series 1990, dated November 5, 1990, issued in the original aggregate principal amount of $450,000.

3. Water Revenue Bond (Varneytown Project), Series 1997, dated April 4, 1997, issued in the original aggregate principal amount of $40,000.

4. Water Revenue Bonds, Series 2004 B (United States Department of Agriculture), dated November 12, 2004, issued in the original aggregate principal amount of $360,000.

$1,000,000

Clay-Roane PSD
40 Years (from Closing Date); 0% Interest Rate
Closing Date: November 12, 2004

Debt Service Schedule

Date	Principal	Coupon	Total P+I
12/01/2004	-	-	-
03/01/2005	-	-	-
06/01/2005	-	-	-
09/01/2005	-	-	-
12/01/2005	-	-	-
03/01/2006	-	-	-
06/01/2006	-	-	-
09/01/2006	-	-	-
12/01/2006	6,578.95	-	6,578.95
03/01/2007	6,578.95	-	6,578.95
06/01/2007	6,578.95	-	6,578.95
09/01/2007	6,578.95	-	6,578.95
12/01/2007	6,578.95	-	6,578.95
03/01/2008	6,578.95	-	6,578.95
06/01/2008	6,578.95	-	6,578.95
09/01/2008	6,578.95	-	6,578.95
12/01/2008	6,578.95	-	6,578.95
03/01/2009	6,578.95	-	6,578.95
06/01/2009	6,578.95	-	6,578.95
09/01/2009	6,578.95	-	6,578.95
12/01/2009	6,578.95	-	6,578.95
03/01/2010	6,578.95	-	6,578.95
06/01/2010	6,578.95	-	6,578.95
09/01/2010	6,578.95	-	6,578.95
12/01/2010	6,578.95	-	6,578.95
03/01/2011	6,578.95	-	6,578.95
06/01/2011	6,578.95	-	6,578.95
09/01/2011	6,578.95	-	6,578.95
12/01/2011	6,578.95	-	6,578.95
03/01/2012	6,578.95	-	6,578.95
06/01/2012	6,578.95	-	6,578.95
09/01/2012	6,578.95	-	6,578.95
12/01/2012	6,578.95	-	6,578.95
03/01/2013	6,578.95	-	6,578.95
06/01/2013	6,578.95	-	6,578.95
09/01/2013	6,578.95	-	6,578.95
12/01/2013	6,578.95	-	6,578.95
03/01/2014	6,578.95	-	6,578.95
06/01/2014	6,578.95	-	6,578.95
09/01/2014	6,578.95	-	6,578.95
12/01/2014	6,578.95	-	6,578.95
03/01/2015	6,578.95	-	6,578.95
06/01/2015	6,578.95	-	6,578.95
09/01/2015	6,578.95	-	6,578.95

$1,000,000

Clay-Roane PSD
40 Years (from Closing Date); 0% Interest Rate
Closing Date: November 12, 2004

Debt Service Schedule

Date	Principal	Coupon	Total P+I
12/01/2015	6,578.95	-	6,578.95
03/01/2016	6,578.95	-	6,578.95
06/01/2016	6,578.95	-	6,578.95
09/01/2016	6,578.95	-	6,578.95
12/01/2016	6,578.95	-	6,578.95
03/01/2017	6,578.95	-	6,578.95
06/01/2017	6,578.95	-	6,578.95
09/01/2017	6,578.95	-	6,578.95
12/01/2017	6,578.95	-	6,578.95
03/01/2018	6,578.95	-	6,578.95
06/01/2018	6,578.95	-	6,578.95
09/01/2018	6,578.95	-	6,578.95
12/01/2018	6,578.95	-	6,578.95
03/01/2019	6,578.95	-	6,578.95
06/01/2019	6,578.95	-	6,578.95
09/01/2019	6,578.95	-	6,578.95
12/01/2019	6,578.95	-	6,578.95
03/01/2020	6,578.95	-	6,578.95
06/01/2020	6,578.95	-	6,578.95
09/01/2020	6,578.95	-	6,578.95
12/01/2020	6,578.95	-	6,578.95
03/01/2021	6,578.95	-	6,578.95
06/01/2021	6,578.95	-	6,578.95
09/01/2021	6,578.95	-	6,578.95
12/01/2021	6,578.95	-	6,578.95
03/01/2022	6,578.95	-	6,578.95
06/01/2022	6,578.95	-	6,578.95
09/01/2022	6,578.95	-	6,578.95
12/01/2022	6,578.95	-	6,578.95
03/01/2023	6,578.95	-	6,578.95
06/01/2023	6,578.95	-	6,578.95
09/01/2023	6,578.95	-	6,578.95
12/01/2023	6,578.95	-	6,578.95
03/01/2024	6,578.95	-	6,578.95
06/01/2024	6,578.95	-	6,578.95
09/01/2024	6,578.95	-	6,578.95
12/01/2024	6,578.95	-	6,578.95
03/01/2025	6,578.95	-	6,578.95
06/01/2025	6,578.95	-	6,578.95
09/01/2025	6,578.95	-	6,578.95
12/01/2025	6,578.95	-	6,578.95
03/01/2026	6,578.95	-	6,578.95
06/01/2026	6,578.95	-	6,578.95
09/01/2026	6,578.95	-	6,578.95

$1,000,000

Clay-Roane PSD
40 Years (from Closing Date); 0% Interest Rate
Closing Date: November 12, 2004

Debt Service Schedule

Date	Principal	Coupon	Total P+I
12/01/2026	6,578.95	-	6,578.95
03/01/2027	6,578.95	-	6,578.95
06/01/2027	6,578.95	-	6,578.95
09/01/2027	6,578.95	-	6,578.95
12/01/2027	6,578.95	-	6,578.95
03/01/2028	6,578.95	-	6,578.95
06/01/2028	6,578.95	-	6,578.95
09/01/2028	6,578.95	-	6,578.95
12/01/2028	6,578.95	-	6,578.95
03/01/2029	6,578.95	-	6,578.95
06/01/2029	6,578.95	-	6,578.95
09/01/2029	6,578.95	-	6,578.95
12/01/2029	6,578.95	-	6,578.95
03/01/2030	6,578.95	-	6,578.95
06/01/2030	6,578.95	-	6,578.95
09/01/2030	6,578.95	-	6,578.95
12/01/2030	6,578.95	-	6,578.95
03/01/2031	6,578.95	-	6,578.95
06/01/2031	6,578.95	-	6,578.95
09/01/2031	6,578.95	-	6,578.95
12/01/2031	6,578.95	-	6,578.95
03/01/2032	6,578.95	-	6,578.95
06/01/2032	6,578.95	-	6,578.95
09/01/2032	6,578.95	-	6,578.95
12/01/2032	6,578.95	-	6,578.95
03/01/2033	6,578.95	-	6,578.95
06/01/2033	6,578.95	-	6,578.95
09/01/2033	6,578.95	-	6,578.95
12/01/2033	6,578.95	-	6,578.95
03/01/2034	6,578.95	-	6,578.95
06/01/2034	6,578.95	-	6,578.95
09/01/2034	6,578.95	-	6,578.95
12/01/2034	6,578.94	-	6,578.94
03/01/2035	6,578.94	-	6,578.94
06/01/2035	6,578.94	-	6,578.94
09/01/2035	6,578.94	-	6,578.94
12/01/2035	6,578.94	-	6,578.94
03/01/2036	6,578.94	-	6,578.94
06/01/2036	6,578.94	-	6,578.94
09/01/2036	6,578.94	-	6,578.94
12/01/2036	6,578.94	-	6,578.94
03/01/2037	6,578.94	-	6,578.94
06/01/2037	6,578.94	-	6,578.94
09/01/2037	6,578.94	-	6,578.94

$1,000,000

Clay-Roane PSD
40 Years (from Closing Date); 0% Interest Rate
Closing Date: November 12, 2004

Debt Service Schedule

Date	Principal	Coupon	Total P+I
12/01/2037	6,578.94	-	6,578.94
03/01/2038	6,578.94	-	6,578.94
06/01/2038	6,578.94	-	6,578.94
09/01/2038	6,578.94	-	6,578.94
12/01/2038	6,578.94	-	6,578.94
03/01/2039	6,578.94	-	6,578.94
06/01/2039	6,578.94	-	6,578.94
09/01/2039	6,578.94	-	6,578.94
12/01/2039	6,578.94	-	6,578.94
03/01/2040	6,578.94	-	6,578.94
06/01/2040	6,578.94	-	6,578.94
09/01/2040	6,578.94	-	6,578.94
12/01/2040	6,578.94	-	6,578.94
03/01/2041	6,578.94	-	6,578.94
06/01/2041	6,578.94	-	6,578.94
09/01/2041	6,578.94	-	6,578.94
12/01/2041	6,578.94	-	6,578.94
03/01/2042	6,578.94	-	6,578.94
06/01/2042	6,578.94	-	6,578.94
09/01/2042	6,578.94	-	6,578.94
12/01/2042	6,578.94	-	6,578.94
03/01/2043	6,578.94	-	6,578.94
06/01/2043	6,578.94	-	6,578.94
09/01/2043	6,578.94	-	6,578.94
12/01/2043	6,578.94	-	6,578.94
03/01/2044	6,578.94	-	6,578.94
06/01/2044	6,578.94	-	6,578.94
09/01/2044	6,578.94	-	6,578.94
Total	**$1,000,000.00**	**-**	**$1,000,000.00**

Yield Statistics

Bond Year Dollars	$20,927.77
Average Life	20.928 Years
Average Coupon	-
Net Interest Cost (NIC)	-
True Interest Cost (TIC)	1.09E-10
Bond Yield for Arbitrage Purposes	1.09E-10
All Inclusive Cost (AIC)	1.09E-10

IRS Form 8038

Net Interest Cost	-
Weighted Average Maturity	20.928 Years

SCHEDULE Z

None.

UNITED STATES DEPARTMENT OF AGRICULTURE

RURAL DEVELOPMENT

Federal Building, Room 320
75 High Street
Morgantown, WV 26505-7500
TELEPHONE: (304) 291-4796
FAX: (304) 291-4032
TTY/TDD: (304) 284-5941

February 7, 1997

Telford G. Cruikshank, Jr., Chairman
Clay-Roane Public Service District
P.O. Box 40
Valley Fork, WV 25266

Dear Mr. Cruikshank:

This letter, with attachments 1 through 13 and enclosures, establishes conditions which must be understood and agreed to by you before further consideration may be given to your application. Any changes in project cost, source of funds, scope of services, or any other significant changes in the project or applicant must be reported to and approved by the Rural Utilities Service (RUS) by written amendment to this letter. Any changes not approved by RUS shall be cause for discontinuing processing of the application.

The Rural Utilities Service Water and Waste Disposal Loan and Grant Program is administered by USDA - Rural Development, formerly known as the Farmers Home Administration.

This letter is not to be considered as loan and grant approval or as representation to the availability of funds. The docket may be completed on the basis of an RUS loan not to exceed $360,000, an RUS grant not to exceed $750,000 and other funding in the amount of $2,290,000, for a total project cost of $3,400,000. The other funding is planned in the form of grants from the State of West Virginia, the Appalachian Regional Commission and the West Virginia Infrastructure and Jobs Development Council.

If the loan is made, you may make a written request that the interest rate be the lower of the rate in effect at the time of loan approval or the time of loan closing. If you do not request the lower of the two interest rates, the interest rate charged will be the rate in effect at the time of loan approval. The loan will be considered approved on the date a signed copy of Form FmHA 1940-1, "Request for Obligation of Funds," is mailed to you. If you want the lower of the two rates, your written request should be submitted to RUS as soon as practical. In order to avoid possible delays in loan closing, such a request should ordinarily be submitted at least 30 calendar days before loan closing.

USDA - Rural Development is an Equal Opportunity Lender. Complaints of discrimination should be sent to: Secretary of Agriculture, Washington, D.C. 20250

Extra copies of this letter are being provided for use by your engineer, attorney, bond counsel and accountant. The enclosures and attachments listed below are attached to the copies as noted. Enclosed are the following:

Attachment No. 1 - Final Project Planning Factors (All Copies)
Attachment No. 2 - Loan and Grant Docket Table of Contents (All Copies)
Attachment No. 3 - FmHA Instruction 1942-A, Section 1942.17 (Applicant Copy)
Attachment No. 4 - FmHA Instruction 1942-A, Section 1942.18 (Engineer Copy)
Attachment No. 5 - FmHA Instruction 1942-A, Section 1942.19 (Attorney and Bond Counsel Copies)
Attachment No. 6 - FmHA Supplemental General Conditions (Engineer Copy)
Attachment No. 7 - Standards for Audit of Governmental Organizations, Programs, Activities and Functions (Accountant's Copy)
Attachment No. 8 - U.S. Department of Agriculture Farmers Home Administration Audit Program, December 1989 (Accountant's Copy)
Attachment No. 9 - Water Users Agreement (Applicant and Attorney Copies)
Attachment No. 10 - Declination Statement (Applicant and Attorney Copies)
Attachment No. 11 - Sample Credit Agreement (Applicant and Attorney Copies)
Attachment No. 12 - Labor Standard Provisions (Engineer's Copy)
Attachment No. 13 - Various other FmHA Forms as identified on Attachment No. 2

Your documents concerning the creation of your authority are administratively acceptable; however, they will be further reviewed by our Office of the General Counsel at the time your file is forwarded for closing instructions. Any changes required by our Office of the General Counsel will be included in the closing instructions.

The conditions referred to above are as follows:

1. Loan Repayment - The loan will be scheduled for repayment over a period of 40 years. The payments due the first 24 months will consist of interest only. Payments for the remaining 456 months will be equal amortized monthly installments. For planning purposes use a 4.5% interest rate and a monthly amortization factor of .00459, which provides for a monthly payment of $1,653. You have the option of participating in the PREAUTHORIZED DEBIT (PAD) payment process. It will allow for your payment to be electronically debited from your account on the day your payment is due.

Your authority must establish and fund monthly a debt service reserve account in an amount equal to at least 1/10th of your monthly debt service payment.

You are reminded that your authority may be required to refinance (graduate) the unpaid balance of its RUS loan, in whole or in part, upon the request of RUS if at any time it shall be determined the authority is able to obtain a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms for loans for similar purposes and periods of time.

2. Security - The loan must be secured by a statutory lien on parity with the PSD's existing 1990 and 1996 Water Revenue Bonds, a pledge of the system's revenues and other agreements between you and the lender (RUS) as set forth in the bond resolution which must be properly adopted and executed by the appropriate officials of your organization. Additional security requirements are contained in Form FmHA 1942-31 and Form FmHA 1942-47 which are mentioned later.

3. Users - This conditional commitment is based upon your having obtained proper signed users agreements with at least 240 bona fide full time users and, additionally, having obtained either a signed users agreement or a proper "Service Declination Statement" from or for each potential user located within the planned service area. You must also provide evidence you have not signed users agreements from individuals located outside the planned service area.

   The enclosed Water Users Agreement will be used. Each user signing an agreement must make a users contribution of $100.00. Each potential user who is located along planned lines and declines the offered service will be provided an opportunity to sign a service declination statement. Guide 3, FmHA Instruction 1942-A, "Service Declination Statement," a copy of which is enclosed, must be used. If a potential user refuses to sign either a users agreement or a declination statement, the individual making the contact for the PSD should complete the declination statement for that potential user and note thereon his/her visit with the potential user, the potential user's refusal to sign, and the reason therefore. The declination statement should also be dated and signed by the individual making the contact.

   Before RUS can agree to the project being advertised for construction bids, you must provide evidence that the total required number of bona fide users has been acquired and that all potential users have been offered the proposed service.

Information and material evidencing the above requirements having been met must be provided for RUS review and verification. Such evidence will as a minimum, consist of (1) signed users agreements, (2) signed or completed Service Declination Statements, (3) records of user contributions being paid, (4) a map locating each potential user's property and identifying it by a number, (5) a list of all signed bona fide users numbered with corresponding numbers so as to be a cross-reference with the map required by (4) above, (6) a list of all declination statements numbered with corresponding numbers so as to be a cross-reference with the map required by (4) above.

4. Bond Counsel - The services of a recognized bond counsel are required. The bond counsel will prepare the form of resolution to be used, in accordance with Section 1942.19 of FmHA Instruction 1942-A. You should immediately provide your bond counsel with a copy of this letter of conditions, its attachments and enclosures.

5. Professional Services - You must obtain the services of an attorney. For your convenience, Guide 14, "Legal Services Agreement" is attached for your use. Attachment No. 1 includes the cost of these services for planning purposes.

6. Facility Control - Prior to advertisement for construction bids, you must furnish satisfactory evidence that you have or can obtain adequate continuous and valid control over the lands and rights needed for the project. Such evidence must be in the following form:

   a. A right-of-way map showing clearly the location of all lands and rights needed for the project. The map must designate public and private lands and rights and the appropriate legal ownership thereof.

   b. A copy of deeds, contracts or options for any lands needed other than rights-of-way, along with a preliminary title opinion covering such lands. Form FmHA 1927-9, "Preliminary Title Opinion," may be used. Also, in the case of existing systems or where the PSD has already acquired real property (land or facilities), a preliminary title opinion(s) concerning all such property(s) will be provided.

   c. A narrative opinion from your attorney concerning all permits, certifications and other items necessary to show that all legal requirements can be met and stating how they will be met. This narrative should also identify any condemnation proceedings that are anticipated and state how they will be handled.

d. A copy of the right-of-way easements for any rights-of-way needed on private lands. Form FmHA 442-20, "Right-of-Way Easement," may be used. Each easement need not be provided this office; however, each must be available for review. A copy of the easement being used must be provided.

e. A certification and legal opinion relative to title to rights-of-way and easements. Form FmHA 442-21, "Right-of-Way Certificate," and Form FmHA 442-22, "Opinion of Counsel Relative to Rights-of-Way," may be used. These forms may contain a few exceptions such as properties that must be condemned; however, prior to the start of construction or loan closing, whichever occurs first, new Forms, FmHA 442-21 and 442-22, must be provided which do not provide for any exceptions.

f. On the day of loan closing, the PSD's attorney must furnish final title opinions on all land(s) being acquired. Form FmHA 1927-10, "Final Title Opinion" may be used. In the case of existing systems or where the PSD has already acquired real property(s) (land or facilities), the PSD's attorney will provide a separate final title opinion(s) covering such property(s) on the day of loan closing.

7. Permits - Copies of all permits needed for the project must be provided for review prior to advertisement for construction bids. Such permits will include but are not limited to the following:

- West Virginia Department of Highways
- State Department of Health
- Department of Environmental Protection (formerly DNR)
- Public Land Corporation

8. Public Service Commission Approvals - You must obtain the following from the Public Service Commission of West Virginia:

a. A Certificate of Convenience and Necessity.

b. Approval of user charges that are acceptable to you and the Rural Utilities Service.

c. Approval of financing for the project's proposed financing arrangements.

The "Rule 42" Exhibit to be attached to the Public Service Commission application must contain at least the information shown in Attachment No. 1. A copy of the Public Service Commission application and its "Rule 42" Exhibit must be provided for review.

9. Accounting - You must obtain the services of a qualified accountant. That accountant must agree (by letter) to develop and provide the following:

   a. All necessary accounting material required by the Public Service Commission of West Virginia (Rule 42).

   b. Prior to advertisement for bids, your accountant must state in writing that he will establish your accounts and records in accordance with the requirements of the resolution, and the requirements of the Public Service Commission within 20 days from the notice to do such.

   c. Prior to the start of construction, the accountant must certify that the accounts and records as required in (b) above have been established and are operational.

A representative of my office will review your accounts and records prior to authorizing the issuance of award(s) to the contractor(s). FmHA regulations (Attachment No. 3) outline requirements for the submission of management reports and audits. Appropriate state statutes place certain audit requirements for your PSD. The attached booklet, "Standards for Audit of Governmental Organizations, Programs, Activities and Functions," (Attachment No. 7) and "U. S. Department of Agriculture Farmers Home Administration Audit Program," (December 1989) (Attachment No. 8) outlines audit requirements. You are reminded that certain provisions of Office and Management and Budget Circular A-128 are applicable to any public body that received $100,000 or more in federal funds in any one year. You must enter into an agreement annually with an accountant (or the State Tax Commission) to perform the audit. The agreement must be in accordance with the requirements of the State Tax Commissioner of West Virginia.

Audit Reports must be prepared to comply with the requirements of OMB Circular A-128 or A-133, as applicable.

10. Insurance and Bonding Requirements:

   a. Prior to preliminary loan closing, you must acquire the following insurance and bond coverage:

      (1) Liability Insurance - Personal Liability - $500,000; Property Damage - $200,000-$200,000. The limits of liability coverage noted herein should be considered as suggested amounts only. RUS recommends that you consider analyzing your actual needs in detail before you obtain coverage in a specific amount.

(2) Workers' Compensation - In accordance with appropriate State laws.

(3) Position Fidelity Bond(s) - All positions occupied by persons entrusted with the receipt and/or disbursement of funds must be bonded. As a good business practice you will probably wish to have each position bonded in an amount equal to the maximum amount of funds to be under the control of that position at any one time. The minimum coverage acceptable to RUS will be for each position to be bonded for an amount at least equal to one annual installment on your loan(s). Form FmHA 440-24, "Position Fidelity Bond," may be used.

(4) National Flood Insurance - In addition to meeting the requirements for the type of assistance requested, the following requirements must be met for financial assistance for acquisition and/or construction in designated special flood or mudslide prone areas:

(a) If flood insurance is available, you must purchase a flood insurance policy at the time of loan closing.

(b) Applicants whose buildings, machinery or equipment are to be located in a community which has been notified as having special flood or mudslide prone areas will not receive financial assistance where flood insurance is not available.

(5) Real Property Insurance - Prior to the acceptance of the facility from the contractor(s), you must obtain real property insurance (fire and extended coverage) on all above-ground structures, to include machinery and equipment housed therein. This does not apply to water reservoirs, standpipes, elevated tanks or noncombustible materials used in treatment plants, clearwells, filters and the like.

11. You are, have been or may be approved to become, a recipient of Federal financial assistance from the United States Department of Agriculture. In the case of Paralyzed Veterans of America, et al, Plaintiff, V. William French Smith, et al, Defendants, United States District Court, Central District of California, No. 79-1979 WPG, the Honorable William P. Gray ordered the United States Department of Agriculture to notify you that as a recipient of such assistance you are required to comply with the provisions of

Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. Sec. 794), even though the United States Department of Agriculture has not yet issued final regulations implementing Section 504 of the Rehabilitation Act.

Section 504 of the Rehabilitation Act is designed to assure that those who receive Federal financial assistance will not discriminate against handicapped persons. It provides in relevant part as follows:

"No otherwise qualified handicapped individual in the United States. . . shall, solely by reason of his handicap, be excluded from the participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance."

Effective June 3, 1977, the Department of Health and Human Services issued final regulations implementing Section 504 as it applies to recipients of Federal financial assistance from that agency (45 C.F.R. Part 84). You may look to the HHS regulation for guidance as to your obligation under Section 504 of the Rehabilitation Act.

12. Contract Documents, Final Plans and Specifications:

a. The contract documents should consist of the following:

(1) FmHA Instruction 1942-A, Guide 19, "Agreement," and Attachments 1-9 (Attachment No. 4) or other agreement approved by RUS.

(2) FmHA Supplemental General Conditions (Guide 18, 4-6-92 Revised WV). One copy of this item is attached hereto (Attachment No. 6). Additional copies must be reproduced by the engineer.

(3) Labor Standards Provisions - Title 29, Subtitle A, Part 5, Section 5.5, Contract Provisions and Related Matters. One copy of this item is attached hereto (Attachment No. 12). Additional copies must be reproduced by the engineer.

b. The Contract documents must provide, as a minimum, the following insurance:

(1) Liability Insurance - Personal Liability - $500,000; Property Damage - $200,000-$200,000. (This coverage must include indemnification of the PSD and its engineer.) FmHA Guide 18 suggests certain limits of liability for insurance coverage. Those limits should be considered as minimum

requirements only. It is recommended you consider increasing the given limits of liability after analyzing your specific needs.

(2) Builder's Risk Insurance - On all structures and mechanical and electrical equipment in place or stored on the site to the full insurable value thereof.

(3) Workers' Compensation - In accordance with applicable State laws.

c. The contract documents and final plans and specifications must be submitted to RUS for approval.

d. The project must be designed in compliance with Section 504 of the Rehabilitation Act of 1973.

13. Interim Financing - Interim financing will be used for the RUS loan if it is available at reasonable rates and terms. You must provide RUS with a copy of the tentative agreement reached in connection with interim financing. The enclosed Sample Credit Agreement (Attachment No. 11) is an acceptable agreement and may be used.

14. Disbursement of Funds - The RUS funds will be advanced as they are needed in the amount(s) necessary to cover RUS's proportionate share of any disbursements required of your PSD, over 30 day periods. Any funds not disbursed immediately upon receipt must be deposited in an interest bearing account in accordance with OMB Circular A-133. Interest earned on these funds must be remitted promptly, at least quarterly, to the Rural Utilities Service. The PSD must assure that all project funds are expended only for the eligible items included in the final project budget or as may be later approved by RUS.

15. Other Grants - Prior to advertisement for construction bids, you must provide evidence showing the approval of the other grants. This evidence should include a copy of the grant award. Prior to award of the contract(s) to the contractor(s), you must provide evidence that the "other" grant funds are available for expenditure. This evidence should consist of at least a letter from the grantor stating the funds are available for expenditure.

16. At a properly called meeting, you must adopt and properly execute the following forms, and minutes showing the adoption must be provided:

Form FmHA 442-7 - "Operating Budget"
Form FmHA 1940-1 - "Request for Obligation of Funds"

Form FmHA 1942-31 - "Association Water or Sewer System Grant Agreement"
Form FmHA 1942-47 - "Loan Resolution -- (Public Bodies)"
Form FmHA 400-1 - "Equal Opportunity Agreement"
Form FmHA 400-4 - "Assurance Agreement"
Form AD 1047 - "Certification Regarding Debarment - Primary"
Form AD 1049 - "Certification Regarding Drug-Free Workplace"
Form FmHA 1910-11 - "Applicant Certification, Federal Collection Policies"
FmHA Instruction 1940-Q, Exhibit A-1, "Certification for Contracts, Grants and Loans"

17. The enclosed Loan Processing Checklist (Attachment No. 2) outlines the items needed to complete the loan and grant docket. All the items listed must be included in the loan and grant docket when it is forwarded to the USDA - Rural Development State Office with a request for loan closing instructions to be issued.

18. Upon receipt of the loan and grant docket, which contains all the items required above, RUS may authorize you to advertise the project for construction bids. Such advertisement must be in accordance with appropriate State statutes. Immediately after bid opening you must provide RUS with (a) a bid tabulation, (b) recommendations from you and your engineer as to the acceptability of the bids received, and (c) your recommendations for contract awards. If all parties then agree the construction bids received are acceptable, it is determined that adequate funds are available to cover the total facility costs, and that all the administrative conditions of loan approval have been satisfied, loan closing instructions will be issued. The closing instructions, a copy of which will be forwarded to you, will set forth any further requirements that must be met before the loan can be closed. When all parties agree that the closing requirements can be met, a mutually acceptable date for the loan closing will be scheduled.

Attached is a copy of Form FmHA 1942-31, "Association Water and Sewer System Grant Agreement," for your review. You will be required to execute a completed form at the time of grant closing.

Any applicant contribution shall be considered as the first funds expended. After providing for all authorized costs, any remaining RUS project funds will be considered to be RUS grant funds and refunded to RUS. If the amount of unused RUS project funds exceeds the RUS grant, that part would be RUS loan funds.

In accordance with the intent of Congress as expressed in the FY 1997 Appropriations Act, recipients of Water and Waste assistance provided by the Rural Utilities Service are encouraged, in expending the assistance, to purchase only American-made equipment and products.

We believe the information herein clearly sets forth the actions which must be taken; however, if you have any questions, please do not hesitate to contact me.

Please complete and return the enclosed Form FmHA 1942-46, "Letter of Intent to Meet Conditions," if you desire further consideration be given your application.

If the conditions set forth in this letter are not met within six (6) months from the date hereof, RUS reserves the right to discontinue processing of the application. In the event the project has not advanced to the point of loan closing within the six-month period and it is determined the authority still wishes to proceed, it will be necessary that the proposed budget be reviewed again in detail. If during that review, it is determined the budget is no longer current and/or adequate, RUS reserves the right to require that it be revised or replaced.

Sincerely yours,

BOBBY LEWIS
State Director

Enclosures

cc: Administrator, RUS
ATTN: Water and Waste Disposal Division
Washington, DC

Rural Development Specialist
Parkersburg, WV

Accountant

Thomas N. Whittier
Spencer, WV

Bond Counsel

James B. Hildreth
Boyles and Hildreth
Spencer, WV

Attachment No. 1 to Letter of Conditions
Dated: February 7, 1997
For: Clay-Roane Public Service District

Project Planning Factors

The Project Planning Factors are found on Page 2 of this attachment.

Rates

Available for general domestic, commercial and industrial service.

Minimum Charge

No bill shall be rendered for less than the following amounts according to the size of meter installed.

First	3,000 gals.	@ $7.30 per M gals.
Next	3,000 gals.	@ $7.10 per M gals.
Next	4,000 gals.	@ $6.90 per M gals.
Over	10,000 gals.	@ $6.70 per M gals.

5/8" x 3/4" meter -	$ 21.90 per month
3/4" meter -	$ 32.85 per month
1" meter -	$ 54.75 per month
1 1/2" meter -	$ 109.50 per month
2" meter -	$ 175.20 per month
3" meter -	$ 328.50 per month
4" meter -	$ 547.50 per month
6" meter -	$1,095.00 per month
8" meter -	$1,752.00 per month

(Minimum Monthly Bill $21.90 for 3,000 gallons)

Project Planning Factors

The following estimates are to be used as a basis for project planning and must not be changed without prior approval of RUS:

Project Costs	SCB Grant	ARC Grant	WVIJDC Grant	RUS Grant	RUS Loan	Total
Administration	$ 40,000					$ 40,000
Construction	1,210,000	$500,000	$346,000	$502,000	$170,000	2,728,000
Construction Contg.			44,900	57,300	49,400	151,600
Land & Rights			3,400	4,300	2,300	10,000
Legal Fees			5,100	6,500	3,400	15,000
Engineering Fees			115,600	147,600	76,800	340,000
Basic $185,000						
Insp. 125,000						
Spec. 30,000						
Bond Counsel			2,900	4,300	2,800	10,000
Interest					32,000	32,000
Project Contg.			22,100	28,000	23,300	73,400
TOTALS	$1,250,000	$500,000	$540,000	$750,000	$360,000	$3,400,000

Delayed Payment Penalty

The above tariff is net. On all accounts not paid in full within twenty (20) days of date of bill, ten percent (10%) will be added to net amount shown.

If any bill is not paid within sixty (60) days after date, water service to the customer will be discontinued. Water service will not be restored until all past due water bills have been paid in full and all accrued penalties plus a reconnection charge have been paid.

Connection Charge

Prior to Construction - $100.00

After the start of construction, there shall be a charge of $250.00 for connection to the system.

Reconnection Charge

$20.00

Use and Income Analysis

160 users	@	3,000 gallons	@	$ 21.90	per user	=	$3,504.00	monthly
31 users	@	4,000 gallons	@	$ 29.00	per user	=	$ 899.00	monthly
23 users	@	5,000 gallons	@	$ 36.10	per user	=	$ 830.30	monthly
13 users	@	6,000 gallons	@	$ 43.20	per user	=	$ 561.60	monthly
5 users	@	7,000 gallons	@	$ 50.10	per user	=	$ 250.50	monthly
4 users	@	8,000 gallons	@	$ 57.00	per user	=	$ 228.00	monthly
2 users	@	9,000 gallons	@	$ 63.90	per user	=	$ 127.80	monthly
1 user	@	10,000 gallons	@	$ 70.80	per user	=	$ 70.80	monthly
1 user	@	50,000 gallons	@	$338.80	per user	=	$ 338.80	monthly

Total $6,810.80 monthly x 12 = $81,729.60 annually

Budget

Income		$81,729.60
Expenses		
O & M	$58,000	
Debt Service	19,836	
Reserve	1,984	
		$79,820.00
Balance and Depreciation		$ 1,909.60

Operating and Maintenance Expenses

Purchased Water	$25,900
Salaries and Benefits	8,000
Power and Pumping	5,800
Maintenance and Repair	4,000
Insurance, Fees, Taxes	2,300
Office Supplies	2,500
Accounting and Collection	7,000
Transportation	1,500
Miscellaneous	1,000
TOTAL	$58,000

Attachment No. 2 to Letter of Conditions
Dated: February 7, 1997
For: Clay-Roane Public Service District

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE
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Loan and Grant
Water and Sewer Systems

Form No.	Document or Action	No. Needed	Proced. Ref.	Respons. Party	Target Date	Date Rec'd	File Pos.
SF 424	Application for Federal Assistance	0 & 2	1942.2 (a)(1)	App.		Have	3
	Regional Planning & Development Council Review	2	1942.2 (a)(1)	App.		Have	3
	State Clearing-house Review or IJDC Review	2	1942.2 (a)(1)	App.		Have	3
Guide 7/8	Preliminary Engr. Report	2	1942.18(c)	Engr.		Have	6
	Bond Ordn. or Resol. on Outstanding Debts	1	1942.17(h)	App./Att.		Have	2
	Bonds or Notes Outstanding Debts	1	1942.17(h)	App./Att.		Have	2
	Audit for last year of operation	1	1942.17(h)	App./Att.		Have	1
AD 1049	Certification Regarding Drug-Free Workplace	1	1940-M 1940.606 (b)(2)	App.		Have	5
	Minutes Adopting Drug-Free Workplace Program	1	LOC	App.			5
	Organizational Documents	1	1942.17 (b)(4)	App./Att.			5
1940-20	Request for Env. Info.	2	1942.17 (j)(7)	App./Eng.		Have	3

Form No.	Document or Action	No. Needed	Proced. Ref.	Respons. Party	Target Date	Date Rec'd	File Pos.
	Env. Assessment for Class II Actions (Exhibit H, 1940-G)	2	1942.17 (j)(7)	RUS		Have	3
	Statement from State Historical Preservation Office	2	1940.304(d)	App.		Have	3
	Comments from Dept. of Commerce, Labor & Environ. Resources (DEP)	2	1940.304(d)	App.			3
	Comments from U.S. Fish & Wildlife Service (Endangered Species)	2	1940.304(d)	App.			3
	Comments from U.S. Forest Service (Wild & Scenic Rivers)	2	1940.304(d)	App.			3
	Comments from Advisory Council on Historic Preservation	2	1940.304(d)	App.			3
	Brief Stmt. telling how facility will be operated	1	1942.17 (b)(3)	App.		Have	5
	Bill analysis for existing system(s)	2	1942.17 (h)(2)	App./ Engr./ Acct.		Have	8
	Projected Bill analysis for new users	2	1942.17 (h)(2)	App./ Engr./ Acct.		Have	8
	Identification of "Other" Funding	2	1942.17 (n)(5)	App./Att.		Have	2

Form No.	Document or Action	No. Needed	Proced. Ref.	Respons. Party	Target Date	Date Rec'd	File Pos.
	Statement reporting the total number of potential users		1942.17 (h)(2) (i)(A)	App./ Engr./ Acct.		Have	8
1942-19	Agreement for Engineering Services	3	1942.17 (l)(1)	App./Engr.			6
	Legal Services Agreement		Guide 14 1942.17 (l)(1)	App./Engr.			5
	Documentation on Service Area	1	1942.5(a)	RUS		Have	3
	Written Certification from Applicant that "Other" credit is NOT available	2	1942.17 (b)(3)	App.		Have	3
	RUS determin. on the availability of other credit	2	1942.17 (b)(3)	RUS			3
	Documentation from lender(s) regarding the availability of other credit	2	1942.17 (b)(3)	RUS		Have	3
	Documentation on Historical and Archaeological Assessments	2	1901-F 1901.255(2)	RUS		Have	3
	Copy of Certification of Publication and related Environmental Information	2	1940-G 1940.331(c)	App.		Have	3
	Project Planning Factors	4	S/Office	RUS		Have	3

Form No.	Document or Action	No. Needed	Proced. Ref.	Respons. Party	Target Date	Date Rec'd	File Pos.
1942-51	Grant Determination	3	1942-H 1942.364	RUS		Have	2
	Finding of No Significant Impact (FONSI)	2	1940-G 1940.314	RUS		Have	3
	Evidence of Public Meeting Minutes	2	1942.17 (j)(9)	App.		Have	3
AD 622	Notice of Preapplication Review	0 & 3	1942.17 (m)(4)	RUS		Have	3
SF 424	Application for Federal Assistance	0 & 1	1942.17 (m)(5)	App.		Have	3
FmHA Inst. 1940-Q Exh. A-1	Certification for Contracts, Grants and Loans	0 & 1	1940-Q	App.		Have	5
1942-45	Project Summary	0 & 2	1942.5 (a)(1)	RUS		Have	1
442-3	Balance Sheet	0 & 1	1942.17(h)	App.			1
442-7	Operating Budget	0 & 2	1942.17(h)	App.			3
1942-14	Project Fund Analysis	0 & 4	1942.5(c)	RUS		Have	2
Guide 26	CP Program Project Selection Criteria	2	1942-A	RUS		Have	2
	Letter of Conditions	7	1942.5(c)	RUS		Have	3
1942-46	Letter of Intent to Meet Conditions	2	1942.5(c)	App.			3
1940-1	Request for Obligation of Funds	4	1942.5 (c)(3)	RUS/App.			2

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	Written Request from Applicant for the Lower Interest Rate	2	1942.17 (f)(1)	RUS/App.			2
1942-31	Association Water or Sewer System Grant Agreement	2	1942-H 1942.367(f)	RUS/App.			2
	Evidence of "Other" Funds	1	1942.17 (n)(6)	App.			2
	Water Users Agreement (Copy)	1	1942.17 (h)(2)(B)	App.			5
AD 1047	Certification Regarding Debarment (Primary)	1	1940-M 1940.606 (b)(1)	App.		Have	5
AD 1048	Certification Regarding Debarment (Contractor)	1 ea	1940-M 1940.606 (b)(1)	All Appropriate Vendors			5
1910-11	Applicant Certification, Federal Collection Policies	1	1942.5 (a)(1)(i)	App.		Have	3
	Evidence of Users:						
	1. Map of Users with each identified by number	1	LOC	App.			Sep. File
	2. List of Signed Users Numbered to Map	1	LOC	App.			5
	3. List of Declination Statement Numbered to Map	1	LOC	App.			5

Form No.	Document or Action	No. Needed	Proced. Ref.	Respons. Party	Target Date	Date Rec'd	File Pos.
	4. Evidence of Tap Fees Being Paid	1	LOC	App.			5
	5. Having Users Agreements and Declination Statements Available		LOC	App.			-
	Positive Program to Encourage Connections When Completed	1	1942.17 (h)(2) (iii)	App.			5
	Verification of Users	1	1942.6(b)	RUS			3
	Preliminary Bond Transcr. Documents w/no Defeasance Provisions	2	1942.17 (j)(6) (ii)	B. Counsel			2
	Right-of-Way Map	1	Form FmHA 1942-19	Engr.			Sep. File
	Deeds and/ or Options		1942.17(j) (4)(i)	App./Att.			
1927-9	Preliminary Title Opinion	1	1942.17 (j)(4)(i)	App./Att.			5
	Narrative Opinion from Attorney	1	LOC	Att.			5
442-20	Right-of-Way Easement	1	1942.17 (j)(4)(i)	App.			5
442-21	Right-of-Way Certificate	1	1942.17 (j)(4)(i)	App.			5
442-22	Opinion of Counsel Relative to R/Way		1942.17 (j)(4)(i)	Att.			5
1942-47	Loan Resolution	1	1942.17 (n)(2)	App.			5
	Copy of PSC Application	1	State	Att./Acct.			6

Form No.	Document or Action	No. Needed	Proced. Ref.	Respons. Party	Target Date	Date Rec'd	File Pos.
	Copy of PSC Rule 42 Exh.	1	State	Att./Acct.			3
	Agreement with Accountant	1	1942.17 (l)(1)	App./Acct.			6
	Interim Financing Agreement	1	1942.17 (n)(3)	App./Att.			1
442-30	Water Purchase Contract	1	1942.18(f)	App./Att.			5
400-1	Equal Opportunity Agreement	1	1942.17 (n)(2)(x)	App.			6
400-4	Assurance Agreement	1	1942.17 (n)(2)(x)	App.			3
	Bond Transcript Documents w/no Defeasance Provisions	3	1942.17 (j)(6)(ii)	B. Counsel			Sep. File
	OGC Closing Instructions	1	1942.17 (n)(4)	RUS			5
	S/O Closing Instructions	1	1942.17 (n)(4)	RUS			5
	DOH Permit	1	1942.17(k)	App.			6
	DEP Permit	1	1942.17(k)	App.			6
	Railroad Permits	1	1942.17(k)	App.			6
	Public Land Corp. Permit	1	1942.17(k)	App.			6
	Corps of Engrs. Permit	1	1942.17(k)	App.			6
	Contract Documents, Plans and Specs.	2	1942.18	Engr.			Sep. File

Form No.	Document or Action	No. Needed	Proced. Ref.	Respons. Party	Target Date	Date Rec'd	File Pos.
	Dept. of Health Approval	1	1942.17(k)	Engr.			6
	Accountant's Certification on Accounting System	1	1942.17 (q)(1)	Acct.			3
	RUS Approval of Accounting System		1942.17 (q)(1)(ii)	App./RUS			3
400-8	Comp. Review	1	1901-H 1901.204	RUS			5
1924-16	Record of Preconstruction Conference	1	1942.18 (o)(1)	RUS/Engr.			6
	Bid Tabulation	1	1942.18(k)	Engr.			6
	Recommendation of Award	1	1942.18 (j)(8)	Engr.			6
	Contract Documents with required Ins. and Bonds	2		App./Engr.			Sep. File
	Resume' of Inspector	1	1942.18 (o)(3)	Engr.			6
	Liability Insurance		1942.17 (j)(3)(iii)	App.			7
	Workers' Compensation Certificate	1	1942.17 (j)(3)(iii)	App.			7
	Flood Insurance Policy	1	1942.17 (j)(3)(iii)	App.			7
440-24	Fidelity Bond	1	1942.17 (j)(3)(ii)	App.			7
	OGC Final Opinion	1	1942.17 (o)(4)	RUS			5

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(2-6-85, PN 956)

§1942.19 Information Pertaining to Preparation of Notes or Bonds and Bond Transcript Documents for Public Body Applicants.

(a) General. This section includes information for use by public body applicants in the preparation and issuance of evidence of debt (bonds, notes, or debt instruments, herein referred to as bonds). This section is made available to applicants as appropriate for application processing and loan docket preparation.

(b) Policies related to use of bond counsel. Preparation of the bonds and the bond transcript documents will be the responsibility of the applicant. Public body applicants will obtain the services and opinion of recognized bond counsel with respect to the validity of a bond issue, except as provided in (b)(1) through (3) below. The applicant normally will be represented by a local attorney who will obtain the assistance of a recognized bond counsel firm which has experience in municipal financing with such investors as investment dealers, banks, and insurance companies.

(1) Issues of $250,000 or less. At the option of the applicant for issues of $250,000 or less, bond counsel may be used for the issuance of a final opinion only and not for the preparation of the bond transcript and other documents when the applicant, FmHA, and bond counsel have agreed in advance as to the method of preparation of the bond transcript documents. Under such circumstances the applicant will be responsible for the preparation of the bond transcript documents.

(2) Issues of $50,000 or less. At the option of the applicant and with the prior approval of the FmHA State Director, the applicant need not use bond counsel if:

(i) The amount of the issue does not exceed $50,000 and the applicant recognizes and accepts the fact that processing the application may require additional legal and administrative time.

(ii) There is a significant cost saving to the applicant particularly with reference to total legal fees after determining what bond counsel would charge as compared with what the local attorney will charge without bond counsel.

(iii) The local attorney is able and experienced in handling this type of legal work.

(iv) The applicant understands that, if it is required by FmHA to refinance its loan pursuant to the statutory refinancing requirements, it will probably have to obtain at its expense a bond counsel's opinion at that time.

(v) All bonds will be prepared in accordance with this regulation and will conform as nearly as possible to the preferred methods of preparation stated in paragraph (e) of this section but still be consistent with State law.

(vi) Many matters necessary to comply with FmHA requirements such as land rights, easements, and organizational documents will be handled by the applicant's local attorney. Specific closing instructions will be issued by the Office of the General Counsel of the U. S. Department of Agriculture for the guidance of FmHA.

(3) For loans of less than $500,000. The applicant shall not be required to use bond counsel in a straight mortgage-note situation where competitive bidding is not required for the sale of the debt instrument, unless a complicated financial situation exists with the applicant. In addition, if there is a known backlog in a particular OGC regional office the applicant will be advised of such backlog and it will be suggested to the applicant that the appointment of bond counsel may be more expeditious. However, it will be the decision of the applicant whether or not to appoint bond counsel. The applicant must comply with (b)(2)(iii) through (vi) of this section.

(c) Bond transcript documents. Any questions with respect to FmHA requirements should be discussed with the FmHA representatives. The bond counsel (or local counsel where no bond counsel is involved) is required to furnish at least two complete sets of the following to the applicant, who will furnish one complete set to FmHA:

(1) Copies of all organizational documents.

(2) Copies of general incumbency certificate.

(3) Certified copies of minutes or excerpts therefrom of all meetings of the applicant's governing body at which action was taken in connection with the authorization and issuance of the bonds.

(4) Certified copies of documents evidencing that the applicant has complied fully with all statutory requirements incident to calling and holding of a favorable bond election, if such an election is necessary in connection with bond issuance.

(5) Certified copies of the resolutions or ordinances or other documents, such as the bond authorizing resolutions or ordinance and any resolution establishing rates and regulating the use of the improvement, if such documents are not included in the minutes furnished.

(6) Copies of official Notice of Sale and affidavit of publication of Notice of Sale where a public sale is required by State statute.

(7) Specimen bond, with any attached coupons.

(8) Attorney's no-litigation certificate.

(9) Certified copies of resolutions or other documents pertaining to the bond award.

(10) Any additional or supporting documents required by bond counsel.

(11) For loans involving multiple advances of FmHA loan funds a preliminary approving opinion of bond counsel (or local counsel if no bond counsel is involved) if a final unqualified opinion cannot be obtained until all funds are advanced. The preliminary opinion for the entire issue shall be delivered on or before the first advance of loan funds and state that the applicant has the legal authority to issue the bonds, construct, operate and maintain the facility, and repay the loan subject only to changes during the advance of funds such as litigation resulting from the failure to advance loan funds, and receipt of closing certificates.

(12) Preliminary approving opinion, if any, and final unqualified approving opinion of recognized bond counsel (or local counsel if no bond counsel is involved) including opinion regarding interest on bonds being exempt from Federal and any State income taxes. On approval of the Administrator, a final opinion may be qualified to the extent that litigation is pending relating to Indian claims that may affect title to land or validity of the obligation. It is permissible for such opinions to contain language referring to the last sentence of Section 306 (a)(1) or to Section 309A (h) of the Consolidated Farm and Rural Development Act [7 U.S.C. 1926 (a)(1) or 1929a (h)], and providing that if the bonds evidencing the indebtedness in question are acquired by the Federal Government and sold on an insured basis from the Agriculture Credit Insurance Fund, or the Rural Development Insurance Fund, the interest on such bonds will be included in gross income for the purpose of the Federal income tax statutes.

(d) Interim financing from commercial sources during construction period for loans of $50,000 or more. In all cases where it is possible for funds to be borrowed at current market interest rates on an interim basis from commercial sources, such interim financing will be obtained so as to preclude the necessity for multiple advances of FmHA funds.

(e) Permanent instruments for FmHA loans to repay interim commercial financing. FmHA loans will be evidenced by the following types of instruments chosen in accordance with the following order of preference:

(1) First preference - Form FmHA 440-22, "Promissory Note (Association or Organization)". If legally permissible use Form FmHA 440-22 for insured loans.

(2) Second preference - single instruments with amortized installments. If Form FmHA 440-22 is not legally permissible, use a single instrument providing for amortized installments. Show the full amount of the loan on the face of the document and provide for entering the date and amount of each FmHA advance on the reverse thereof or on an attachment to the instrument. Form FmHA 440-22 should be followed to the extent possible. When principal payment is deferred, no attempt should be made to compute in dollar terms the amount of interest due on these installment dates. Rather the instrument should provide that "interest only" is due on these dates. The appropriate amortized installment computed as follows will be shown due on the installment dates thereafter.

(i) Annual payments - Subtract the due date of the last annual interest only installment from the due date of the final installment to determine the number of annual payments applicable. When there are no interest only installments, the number of annual payments will equal the number of years over which the loan is amortized. Then multiply the amount of the note by the applicable amortization factor shown in FmHA Amortization Tables and round to the next higher dollar. Example of Computation of Annual Payment:

Date of Loan Closing:	7-5-1976
Amount of Loan:	$100,000.00
Interest Rate:	5%
Amortization Period:	40 years
Interest Only Installments:	7-5-1977 and 7-5-1978
First Regular Installment:	7-5-1979
Final Installment:	7-5-2016

Computation:	2016-1978= 38 annual payments
$100,000.00 x .05929 =	$5,929.00 annual payment due

(ii) Semiannual payments - Multiply by two the number of years between the due date of the last annual interest only installment and the due date of the final installment to determine the correct number of semiannual periods applicable. When there are no interest only installments, multiply by two the number of years over which the loan is amortized. Then multiply the amount of the note by the applicable amortization factor shown in FmHA Amortization Tables and round to the next higher dollar.

Example of Computation of Semiannual Payment:

Date of Loan Closing:	7-5-1976
Amount of Loan:	$100,000.00
Interest Rate:	5%
Amortization Period:	40 years
Interest Only Installments:	7-5-1977 and 7-5-1978
First Regular Installment:	7-5-1979
Final Installment:	7-5-2016
Computation:	2016 - 1978 = 38 x 2 = 76 semiannual periods
$100,000.00 x .02952 =	$2,952.00 semiannual payment due

(iii) Monthly payments - Multiply by twelve the number of years between the due date of the last annual interest only installment and the final installment to determine the number of monthly payments applicable. When there are no interest only installments, multiply by twelve the number of years over which the loan is amortized. Then multiply the amount of the note by the applicable amortization factor shown in FmHA Amortization Tables and round to the next higher dollar.

Example of Computation of Monthly Payment:

Date of Loan Closing:	7-5-1976
Amount of the Loan:	$100,000.00
Interest Rate:	5%
Amortization Period:	40 years
Interest Only Installments:	7-5-1977 and 7-5-1978

First Regular Installment:	7-5-1979
Final Installment:	7-5-2016
Computation:	2016 - 1978 =
	38 x 12 = 456 monthly payments
$100,000.00 x .00491 =	$491.00 monthly payment due

(3) Third preference - single instrument with installments of principal plus interest. If a single instrument with amortized installments is not legally permissible, use a single instrument providing for installments of principal plus interest accrued on the unmatured principal balance. The principal should be in an amount best adapted to making principal retirement and interest payments which closely approximate equal installments of combined interest and principal as required by the first two preferences.

(i) The repayment terms concerning interest only installments described in paragraph (e)(2) of this section, "Second perference" applies.

(ii) The instrument shall contain in substance the following provisions:

(A) A statement of principal maturities and due dates.

(B) Payments made on indebtedness evidenced by this instrument shall be applied to the interest due through the next installment due date and the balance to prinicpal in accordance with the terms of the bond. Payments on delinquent accounts will be applied in the following sequence:

(1) billed delinquent interest,

(2) past due interest installments,

(3) past due principal installments,

(4) interest installment due, and

(5) principal installment due.

Extra payments and payments made from security depleting sources shall be applied to the principal last to come due or as specified in the bond instrument.

(4) Fourth preference - serial bonds with installments of principal plus interest. If instruments described under the first, second, and third preferences are not legally permissible, use serial bonds with a bond or bonds delivered in the amount of each advance. Bonds will be delivered in the order of their numbers. Such bonds will conform with the minimum requirements of paragraph (h) of this section. Rules for application of payments on serial bonds will be the same as those for principal installment single bonds as set out in the preceding paragraph (e)(3) of this section.

(f) Multiple advances of FmHA funds using permanent instruments. Where interim financing from commercial sources is not available, FmHA loan proceeds will be disbursed on an "as needed by borrower" basis in amounts not to exceed the amount needed during 30-day periods.

(g) Multiple advances of FmHA funds using temporary debt instrument. When none of the instruments described in paragraph (e) of this section are legally permissible or practical, a bond anticipation note or similar temporary debt instrument may be used. The debt instrument will provide for multiple advance of FmHA loan funds and will be for the full amount of the FmHA loan. The instrument will be prepared by bond counsel (or local counsel if bond counsel is not involved and approved by the State Director and OGC. At the same time FmHA delivers the last advance, the borrower will deliver the permanent bond instrument and the canceled temporary instrument will be returned to the borrower. The approved debt instrument will show at least the following:

(1) The date from which each advance will bear interest.

(2) The interest rate.

(3) A payment schedule providing for interest on outstanding principal at least annually.

(4) A maturity date which shall be no earlier than the anticipated issuance date of the permanent instrument(s).

(h) Minimum bond specifications. The provisions of this paragraph are minimum specifications only, and must be followed to the extent legally permissible.

(1) Type and denominations. Bond resolutions or ordinances will provide that the instrument(s) be either a bond representing the total amount of the indebtedness or serial bonds in denominations customarily accepted in municipal financing (ordinarily in multiples of not less than $1000). Single bonds may provide for repayment of

principal plus interest or amortized installments; amortized installments are preferable from the standpoint of FmHA. Coupon bonds will not be used unless required by State statute.

(i) To compute the value of each coupon when the bond denomination is consistent:

(A) Multiply the amount of the loan or advance by the interest rate and divide the product by 365 days.

(B) Multiply the daily accrual factor determined in (A) by the number of days from the date of advance or last installment date to the next installment date.

(C) Divide the interest computed in (B) by the number of bonds securing the advance; this is the individual coupon amount.

(ii) To compute the value of each coupon when the bond denomination varies:

(A) Multiply the denomination of the bond by the interest rate and divide the product by 365 days.

(B) Multiply the daily accrual factor determined in (A) by the number of days from the date of advance or last installment date to the next installment due date; this is the individual coupon amount.

(2) Bond registration. Bonds will contain provisions permitting registration as to both principal and interest. Bonds purchased by FmHA will be registered in the name of "United States of America, Farmers Home Administration," and will remain so registered at all time while the bonds are held or insured by the United States. The address of FmHA for registration purposes will be that of the appropriate FmHA State Office. (Revised 3-1-88, SPECIAL PN.)

(3) Size and quality. Size of bonds and coupons should conform to standard practice. Paper must be of sufficient quality to prevent deterioration through ordinary handling over the life of the loan.

(4) Date of bond. Bonds will preferably be dated as of the day of delivery, however, may be dated another date at the option of the borrower and subject to approval by FmHA. If the date of delivery is other than the date of the bond, the date of delivery will be stated in the bond. In all cases, interest will accrue from the date of delivery of the funds.

(5) Payment date. Loan payments will be scheduled to coincide with income availability and be in accordance with State law. If consistent with the foregoing, monthly payments will be required and will be enumerated in the bond, other evidence of indebtedness, or other supplemental agreement. However, if State law only permits principal plus interest (P&I) type bonds, annual or seminannual payments will be used. Insofar as practical monthly payments will be scheduled one full month following the date of loan closing; or semiannual or annual payments will be scheduled six or twelve full months respectively, following the date of loan closing or any deferment period. Due dates falling on the 29th, 30th or 31st day of the month will be avoided. (Revised 06-26-91, PN 168.)

(6) Place of payment. Payments on bonds purchased by FmHA should be submitted to the FmHA District Office by the borrower. The District Office will then remit the payments to the Finance Office or deposit them in a Treasury General Account in accordance with Subpart B of Part 1951 of this chapter.

(7) Redemptions. Bonds should contain customary redemption provisions; subject, however, to unlimited right of redemption without premium of any bonds held by FmHA except to the extent limited by the provisions under the "Third Preference" and "Fourth Preference" in paragraph (e) of this section.

(8) Additional revenue bonds. Parity bonds may be issued to complete the project. Otherwise, parity bonds may not be issued unless the net revenues (that is, unless otherwise defined by the State statute, gross revenues less essential operation and maintenance expense) for the fiscal year preceding the year in which such parity bonds are to be issued, were 120 percent of the average annual debt service requirements on all bonds then outstanding and those to be issued; provided, that this limitation may be waived or modified by the written consent of bondholders representing 75 percent of the then outstanding principal indebtedness. Junior and subordinate bonds may be issued in accordance with the loan agreement.

(9) Scheduling of FmHA payments when joint financing is involved. In all cases in which FmHA is participating with another lender in the joint financing of the project to supply funds required by one applicant, the FmHA payments of principal and interest should approximate amortized installments.

(10) Precautions. The following types of provisions in debt instruments should be avoided.

(i) Provisions for the holder to manually post each payment to the instrument.

(ii) Provisions for returning the permanent or temporary debt instrument to the borrower in order that it, rather than FmHA, may post the date and amount of each advance or repayment on the instrument.

(iii) Defeasance provisions in loan or bond resolutions. When a bond issue is defeated, a new issue is sold which supersedes the contractual provisions of the prior issue, including the refinancing requirement and any lien on revenues. Since defeasance in effect precludes FmHA from requiring graduation before the final maturity date, it represents a violation of the statutory refinancing requirement, therefore it is disallowed. (Revised 05-03-89, SPECIAL PN.)

(iv) Provisions that amend covenants contained in Forms FmHA 1942-47, "Loan Resolution (Public Bodies)," or FmHA 1942-9, "Loan Resolution Security Agreement." (Revised 06-26-91, PN 168.)

(11) Multiple Loan Instruments. The following will be adhered to when preparing debt instruments:

(i) When more than one loan type is used in financing a project, each type of loan will be evidenced by a separate debt instrument or series of debt instruments.

(ii) Loan funds obligated in different fiscal years and those obligated with different interest rates or terms in the same fiscal year will be evidenced by separate debt instruments.

(iii) Loan funds obligated for the same loan type in the same fiscal year at the same interest rate and term may be combined in the same debt instrument; provided the borrower has been notified on Form FmHA 1940-1, "Request for Obligation of Funds," of the action.

(i) Bidding by FmHA. Bonds offered for public sale shall be offered in accordance with State law, in such a manner to encourage public bidding. FmHA will not submit a bid at the advertised sale unless required by State law, nor will reference to FmHA's rates and terms be included. If no acceptable bid is received, FmHA will negotiate the purchase of the bonds.

USDA

RURAL
UTILITIES
SERVICE

Federal Building, Room 320
75 High Street
Morgantown, WV 26505-7500
TELEPHONE: (304) 291-4796
FAX: (304) 291-4032
TTY/TDD: (304) 284-5941

United States
Department of
Agriculture

Rural Development

August 18, 1997

T.G. Cruikshank, Jr., Chairman
Clay Roane Public Service District
P.O. Box 40
Valley Fork, WV 25283

RE: Amendment No. 1 to
Letter of Conditions

Dear Mr. Cruikshank:

Reference is made to the Letter of Conditions issued to the District on February 7, 1997. Due to a change in funding for the project, it has become necessary for the District to request an additional $90,000 of Rural Utilities Service (RUS) assistance.

This letter, with attached planning factors and enclosures, establishes conditions which must be understood and agreed to by you before further consideration may be given to your request. Any further changes in project cost, source of funds, scope of services, or any other significant changes in the project or applicant must be reported to and approved by the Rural Utilities Service (RUS) by written amendment to this letter. Any changes not approved by RUS shall be cause for discontinuing processing of the application.

This letter is not to be considered as loan or grant approval or as representation to the availability of funds. The docket may be completed on the basis of an RUS loan of $360,000, an initial RUS grant of $750,000, a subsequent RUS grant of $90,000 and other funding in the amount of $2,200,000, for a total project cost of $3,400,000. The other funding is planned in the form of grants from the West Virginia Infrastructure and Jobs Development Council and the Appalachian Regional Commission.

All requirements and conditions of the February 7, 1997 Letter of Conditions are not changed by the following requirements. They remain applicable and must be satisfied prior to loan and grant closing.

Rural Development is an Equal Opportunity Lender. Complaints of discrimination should be sent to: Secretary of Agriculture, Washington, DC 20250.

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Additional requirements and changes necessitated by the funding revision include:

1. The planning factors have been amended to reflect the funding changes. (See Attachment No. 1).

2. Public Service Commission Approval - You must obtain approval of the project's proposed financing arrangements from the West Virginia Public Service Commission. Written evidence of this approval must be provided to RUS.

3. Bond Counsel - Your bond counsel should be notified immediately of the additional funding and requested to prepare the form of resolution to be used. The bond counsel should proceed in accordance with FmHA Instruction 1942-A, Appendix C.

4. In addition to the forms required in the Letter of Conditions dated February 7, 1997, you must, at a properly called meeting, adopt and execute the following forms, relative to the revised funding and provide minutes showing their adoption.

   Form FmHA 1940-1 - "Request for Obligation of Funds"
   Form FmHA 1942-31 - "Association Water or Sewer Grant Agreement"
   Form FmHA 1942-46 - "Letter of Intent to Meet Conditions"

5. Other Funds - Prior to award of the contract(s) to the contractor(s), you must provide evidence that the "other" funds are available for expenditure.

If the conditions set forth in this letter are not met within six (6) months from the date hereof, RUS reserves the right to discontinue processing of the request.

Please complete and return the enclosed Form FmHA 1942-46, "Letter of Intent to Meet Conditions," if you desire further consideration be given your application.

We believe the information herein clearly sets forth the actions which must be taken; however, if you have any questions, please do not hesitate to contact me.

Sincerely yours,

BOBBY LEWIS
State Director

Enclosures

cc: (See Page 3)

cc: Administrator, RUS
Attn: Water and Environmental
Programs Division
Washington, DC

Rural Development Specialist
Parkersburg, WV

Accountant

Thomas N. Whittier
Attorney at Law
Spencer, WV

James B. Hildreth
Boyles and Hildreth
Spencer, WV

Bond Counsel

Attachment No. 1 to Amended Letter of Conditions
Dated: August 18, 1997
For: Clay Roane Public Service District

Project Planning Factors

The following estimates are to be used as a basis for project planning and must not be changed without prior approval of RUS:

Project Costs	ARC Grant	WVIJDC Grant	RUS Loan	RUS Grant	RUS Sub. Grant	Total
Construction	$500,000	$1,466,000	$170,000	$502,000	$90,000	$2,728,000
Construction Contg.		44,900	49,400	57,300		151,600
Land and Rights		3,400	2,300	4,300		10,000
Legal Fees		5,100	3,400	6,500		15,000
Engineering Fees		115,600	76,800	147,600		340,000
Basic $185,000						
Insp. 125,000						
Spec. 30,000						
Bond Counsel		2,900	2,800	4,300		10,000
Interest			32,000			32,000
Project Contg.		62,100	23,300	28,000		113,400
TOTALS:	$500,000	$1,700,000	$360,000	$750,000	$90,000	$3,400,000

USDA UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT

75 High Street Federal Building, Suite 320, Morgantown, WV 26505-7500
304.284.4860 • 1.800.295.8228 • fax 304.284.4893 • TTY/TDD 304.284.4836

August 5, 2004

Melissa Postelwait, Chairman
Clay-Roane Public Service District
P.O. Box 8
Procious, WV 25164-0008

RE: Amendment No. 2 to
Letter of Conditions

Dear Ms. Postalwait:

This letter, with Attachment No. 1 amends the letter of conditions dated February 7, 1997 and the amended letter of conditions dated August 18, 1997, and further establishes conditions which must be understood and agreed to by you before further consideration may be given to your application. The loan and grant will be administered on behalf of the Rural Utilities Service (RUS) by the State and Area staff of USDA, Rural Development. Any changes in project cost, source of funds, scope of services, or any other significant changes in the project or applicant must be reported to and approved by USDA, Rural Development by written amendment to this letter. Any changes not approved by Rural Development shall be cause for discontinuing processing of the application.

The docket may be completed on the basis of an initial RUS loan in the amount of $360,000, a an initial RUS grant in the amount of $750,000, a subsequent RUS grant in the amount of $90,000, a subsequent RUS grant in the amount of $370,550, and other funding in the amount of $3,915,000, for a total project cost of $5,485,550. The other funding is planned in the form of loans and grants from the State of West Virginia.

Subject to the requirements noted herein, all of the conditions of the February 7, 1997 letter of conditions, as amended August 18, 1997, remain in effect and must be satisfied prior to loan and grant closing.

Extra copies of this letter are being provided for use by your engineer, attorney, bond counsel and accountant. The attachment listed below is attached to the copies as noted.

Enclosed are the following:

Attachment No. 1 - Project Construction Budget (All Copies)

The conditions referred to above are as follows:

1. The project construction budget has been amended to reflect the subsequent funding (Attachment No. 1).

2. Bond Counsel – Your bond counsel should be provided a copy of this letter immediately. The bond counsel should proceed in accordance with RUS Instruction 1780, Subpart D.

3. Public Service Commission Approval - You must obtain approval of the project's proposed financing and user rates as may result from the West Virginia Public Service Commission. Written evidence of this approval must be provided to RUS.

4. At a properly called meeting, you must adopt and properly execute the following forms, and minutes showing the adoption must be provided (you must also provide us with a copy of the minutes showing the adoption of the forms associated with the original letter of conditions):

RUS Bulletin 1780-12 -	"Water or Waste System Grant Agreement"
Form RD 442-7 -	"Initial Operating Budget"
Form 1940-1 –	"Request for Obligation of Funds"
Form RD 1942-46 -	"Letter of Intent to Meet Conditions"

If the conditions set forth in this letter are not met within six (6) months from the date hereof, RUS reserves the right to discontinue processing of the application. In the event the project has not advanced to the point of loan closing within the six-month period and it is determined the Public Service District still wishes to proceed, it will be necessary that the proposed budget be reviewed again in detail. If, during that review, it is determined the budget is no longer current and/or adequate, RUS reserves the right to require that it be revised or replaced.

We believe the information herein clearly sets forth the actions which must be taken; however, if you have any questions, please do not hesitate to contact me.

Sincerely,

Jenny N. Phillips

JENNY N. PHILLIPS
State Director

Enclosures

cc: RUS Rural Development Specialist
Parkersburg, WV

Teed & Associates, PLLC
Charleston, WV

Thomas N. Whittier, Esquire
Hedges, James, Whittier & Hedges

William K. Bragg, Esquire
Goodwin & Goodwin
Charleston, WV

Boyles & Hildreth, Consulting Engineers
Spencer, WV

Attachment No. 1 to Letter of Conditions
For: Clay Roane Public Service District
Date: August 5, 2004

Revised Project Construction Budget

PROJECT COST	IJDC LOAN	IJDC SUB. GRANT	IJDC GRANT	ARC GRANT	RUS SUB. GRANT	RUS SUB. GRANT	RUS GRANT	RUS LOAN	TOTAL
CONSTRUCTION	$664,000	$715,000	$1,695,953	$500,000	$370,550	$90,000	$ 346,540	$ 83,100	$ 4,465,143
CONST. CONTINGENCY			$2,500				$ 122,500		$ 125,000
LAND & RIGHTS	$10,000								$ 10,000
LEGAL FEES	$15,000								$ 15,000
BOND COUNSEL	$8,000							$ 10,000	$ 18,000
ACCOUNTING							$ 4,500		$ 4,500
ENGINEERING FEES							$ 205,230	$ 246,900	$ 452,130
Basic - $271,130									$ -
Insp. - $151,000									$ -
Special - $30,000									$ -
INTEREST								$ 20,000	$ 20,000
ADMINISTRATIVE	$7,500								$ 7,500
REGISTRAR FEES	$500								$ 500
INTERIM FINANCING	$295,000								$ 295,000
PROJECT CONTG.			$1,547				$ 71,230		$ 72,777
TOTAL	**$1,000,000**	**$715,000**	**$1,700,000**	**$500,000**	**$370,550**	**$90,000**	**$ 750,000**	**$ 360,000**	**$ 5,485,550**

Rates

Available for general domestic, commercial, and industrial service.

First	2,000	gallons	@	$	10.55	per M gallons
Next	4,000	gallons	@	$	10.20	per M gallons
Next	4,000	gallons	@	$	7.85	per M gallons
Over	10,000	gallons	@	$	6.12	per M gallons

Minimum Charge

No bill shall be rendered for less than the following amounts according to the size of meter installed.

5/8" x 3/4"	meter	$	21.10	per month
3/4"	meter	$	31.65	per month
1"	meter	$	52.75	per month
1 1/2"	meter	$	105.50	per month
2"	meter	$	168.80	per month
3"	meter	$	316.50	per month
4"	meter	$	527.50	per month
6"	meter	$	1,055.00	per month

Minimum Monthly Bill	$ 21.10	for	2,000	gallons

Delayed Payment Penalty

The above tariff is net. On all accounts not paid in full within twenty (20) days of date of bill, ten percent (10%) will be added to net amount shown.

If any bill is not paid within sixty (60) days after date, water service to the customer will be discontinued. Water service will not be restored until all past due water bills have been paid in full and all accrued penalties plus a reconnection charge have been paid.

Connection Charge

Prior to Construction - $100.00

After the start of construction, there shall be a charge of $250.00 for connection to the system.

Reconnection Charge

$20.00

Use and Income Analysis - See Attached

Cash Flow Analysis - See Attached

Attachment No. 1 to Letter of Conditions
For: Clay Roane Public Service District
Date: August 5, 2004

CLAY ROANE PUBLIC SERVICE DISTRICT
USE AND INCOME ANALYSIS
AMMA/LEFTHAND EXTENSIONS

Blocking	Cust.	Gal/ Mo.	Minimum Bills	FIRST 2,000	NEXT 4,000	NEXT 4,000	Over 10,000	TOTAL REVENUE
0 - 2,000	80	86.0	80					
2,001 - 6,000	135	594.0		270.0	324.0			
6,001 - 10,000	24	197.2		48.0	96.0	53.2		
Over 10,000	1	12.0		2.0	4.0	4.0	2.0	
Monthly Total	240	889.2	80	320.0	424.0	57.2	2.0	
Proposed Rates			$ 21.10	$ 10.55	$ 10.20	$ 7.85	$ 6.12	
Monthly Revenues			$ 1,688.00	$ 3,376.00	$ 4,324.80	$ 449.02	$ 12.24	$ 9,850.06
Annual Revenues			$ 20,256.00	$ 40,512.00	$ 51,897.60	$ 5,388.24	$ 146.88	$ 118,200.72

Clay Roane Public Service District
OPERATING BUDGET

OPERATING INCOME		
Metered Sales	$ 118,200	
TOTAL OPERATING INCOME		$ 118,200
NON OPERATING INCOME		
Interest Income		
TOTAL NON OPERATING INCOME		$ -
TOTAL INCOME		$ 118,200
EXPENSES		
O & M	$ 65,000	
TOTAL EXPENSES		$ 65,000
INCOME AVAILABLE FOR D/S		$ 53,200
DEBT SERVICE		
Proposed Bond P & I - RUS	$ 19,836	
Proposed Bond P & I - IJDC	$ 26,316	
TOTAL DEBT SERVICE		$ 46,152
DEBT SERVICE RESERVE		
Debt Service Reserve - Proposed RUS	$ 1,984	
Debt Service Reserve - Proposed IJDC	$ 2,632	
TOTAL DEBT SERVICE RESERVE		$ 4,616
SURPLUS (DEFICIT)		$ 2,432
DEBT COVERAGE (A/B)		115%

CLAY-ROANE PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS,
SERIES 2004 A (WEST VIRGINIA INFRASTRUCTURE FUND) AND
SERIES 2004 B (UNITED STATES DEPARTMENT OF AGRICULTURE)

BOND RESOLUTION

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CLAY-ROANE PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE REFUNDING OF THE WATER REVENUE BOND, SERIES 2001 A (WEST VIRGINIA INFRASTRUCTURE FUND), OF CLAY-ROANE PUBLIC SERVICE DISTRICT AND THE ACQUISITION AND CONSTRUCTION OF CERTAIN IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC WATER FACILITIES OF CLAY-ROANE PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $1,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2004 A (WEST VIRGINIA INFRASTRUCTURE FUND), AND NOT MORE THAN $360,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2004 B (UNITED STATES DEPARTMENT OF AGRICULTURE); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING THE LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF CLAY-ROANE PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Authority for this Resolution. This Resolution (together with any order or resolution supplemental hereto or amendatory hereof, the "Bond Legislation") is adopted pursuant to the provisions of Chapter 16, Article 13A and Chapter 31, Article 15A of the Code of West Virginia, 1931, as amended (collectively, the "Act"), and other applicable provisions of law.

Section 1.02. Findings. It is hereby found, determined and declared that:

A. Clay-Roane Public Service District (the "Issuer") is a public service district, public corporation and political subdivision of the State of West Virginia in Clay and Roane Counties of said State.

B. The Issuer presently owns and operates a public water system. However, it is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be acquired and constructed certain improvements and extensions to the existing public water facilities of the Issuer, consisting of approximately 153,000 linear feet of 8-inch, 6-inch, and 2-inch waterlines, two water storage tanks and one pressure reducing station to serve approximately 260 potential customers, together with all appurtenant facilities (the "Project"), which constitute public service properties for the diversion, development, pumping, impounding, treatment, storage, distribution or furnishing of water to or for the public for industrial, public, private or other uses, in accordance with the plans and specifications prepared by the Boyles and Hildreth, Consulting Engineers, Inc. which plans and specifications have heretofore been filed with the Issuer.

C. The Issuer has heretofore issued its Water Revenue Bond, Series 2001 A (West Virginia Infrastructure Fund), dated September 27, 2001, in the original principal amount of $295,000 (the "Series 2001 A Bond"), to temporarily finance a portion of the costs of the acquisition of the assets and liabilities of Procious Public Service District. The Series 2001 A Bond is secured by a first lien on the proceeds of any revenue bonds, refunding bonds or other obligations of the Issuer, issued subsequent to the issuance of the Series 2001 A Bond. The Issuer hereby determines that it is in its best interest to pay the entire outstanding principal of and all interest and administrative fees on the Series 2001 A Bond in full with proceeds of the Series 2004 A Bonds (hereinafter defined) on the date of issuance thereof.

D. The Issuer intends to permanently finance a portion of the costs of acquisition and construction of the Project and the refunding of the Series 2001 A Bond through the issuance of its revenue bonds to the United States of America, United States Department of Agriculture, Rural Utilities Service (the "Government") and the West Virginia Water Development Authority (the "Authority"), in connection with the West Virginia Infrastructure Fund administered by the Authority pursuant to the Act.

E. It is deemed necessary for the Issuer to issue its Water Revenue Bonds in the total aggregate principal amount of not more than $1,360,000, in two series (collectively, the "Series 2004 Bonds"), being the Water Revenue Bonds, Series 2004 A (West Virginia Infrastructure Fund), in the aggregate principal amount of not more than $1,000,000 (the "Series 2004 A Bonds"), and the Water Revenue Bonds, Series 2004 B (United States Department of Agriculture), in the aggregate principal amount of not more than $360,000 (the "Series 2004 B Bonds"), to permanently finance a portion of the costs of acquisition and construction of the Project and to refund the Series 2001 A Bond. The remaining costs of the Project shall be funded from the sources set forth in Section 2.01 hereof. Such costs shall be deemed to include the cost of acquisition and construction of any public service properties and any improvements and extensions thereto, the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest, if any, on the Series 2004 Bonds prior to and during acquisition and construction of the Project and for a period not exceeding 6 months after completion of acquisition and construction of the Project; amounts which may be deposited in the respective Reserve Account for the Series 2004 Bonds (as hereinafter defined); the cost of refunding the Series 2001 A Bond; engineering and legal expenses;

expenses for estimates of costs and revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, commitment fees, fees and expenses of the Authority, discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 2004 Bonds and such other expenses as may be necessary or incidental to the financing herein authorized, the acquisition or construction of the Project and the placing of same in operation, and the performance of the things herein required or permitted, in connection with any thereof; provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Series 2004 Bonds or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

F. The period of usefulness of the System after completion of the Project is not less than 40 years.

G. It is in the best interests of the Issuer that (i) the Series 2004 A Bonds be sold to the Authority pursuant to the terms and provisions of a loan agreement by and between the Issuer and the Authority, on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), in form satisfactory to the respective parties (the "Loan Agreement"), approved hereby if not previously approved by resolution of the Issuer, and (ii) the Series 2004 B Bonds be sold to the Government pursuant to the terms and provisions of the Letter of Conditions (as hereinafter defined).

H. There are currently outstanding other obligations of the Issuer which will rank on parity with the Series 2004 Bonds as to liens, pledge and source of and security for payment, including (1) the Water Revenue Bond, Series 1990 of the Issuer, dated November 5, 1990 (the "1990 Bond"), issued in the original principal amount of $450,000, (2) the Water Revenue Bond (Varneytown Project), Series 1997 of the Issuer, dated April 4, 1997 (the "1997 Bond"), issued in the original principal amount of $40,000, and (3) the Water Revenue Bond, Series 1982 of the Procious Public Service District, dated September 24, 1982 (the "1982 Bond") issued in the original principal amount of $192,000 and heretofore assumed by the Issuer in connection with its acquisition of Procious Public Service District. The 1990 Bond, the 1997 Bond and the 1982 Bond shall be collectively known as the "Prior Bonds."

The Series 2004 Bonds shall be issued on a parity with the Prior Bonds with respect to liens, pledge and source of and security for payment and in all other respects. Prior to the issuance of the Series 2004 Bonds, the Issuer will obtain (i) the certificate of an Independent Certified Public Accountant stating that the coverage and parity tests of the Prior Bonds are met; and (ii) the written consent of the Registered Owner of the Prior Bonds to the issuance of the Series 2004 Bonds on a parity with the Prior Bonds. Following the refunding of the Series 2001 A Bond and other than the Prior Bonds, there are no other outstanding bonds or obligations of the Issuer which are secured by revenues and assets of the System.

I. The estimated revenues to be derived in each year following completion of the Project from the operation of the System will be sufficient to pay all Operating Expenses of the

System, the principal of and interest, if any, on the Series 2004 Bonds and the Prior Bonds and all funds and accounts and other payments provided for herein.

J. The Issuer has complied with all requirements of West Virginia law and the Loan Agreement relating to authorization of the acquisition, construction and operation of the Project and the System, the refunding of the Series 2001 A Bond and the issuance of the Series 2004 Bonds, or will have so complied prior to issuance of any thereof, including, among other things and without limitation, the approval of the Project and the financing thereof by the Council and the obtaining of a certificate of public convenience and necessity and approval of this financing and necessary user rates and charges described herein from the Public Service Commission of West Virginia (the "PSC") by final order, the time for rehearing and appeal of which will either have expired prior to the issuance of the Series 2004 Bonds or such final order will not be subject to appeal or rehearing.

K. The Project has been reviewed and determined to be technically and financially feasible by the Council as required under Chapter 31, Article 15A of the Code of West Virginia, 1931, as amended.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 2004 Bonds by those who shall be the Registered Owners of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Registered Owners, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the Registered Owners of any and all of such Series 2004 Bonds, all which shall be of equal rank and without preference, priority or distinction between any one Bond of a series and any other Bonds of the same series, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

Section 1.04. Definitions. The following terms shall have the following meanings herein unless the context expressly requires otherwise:

"Act" means, collectively, Chapter 16, Article 13A and Chapter 31, Article 15A of the Code of West Virginia, 1931, as amended and in effect on the date of adoption hereof.

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser and Registered Owner of the Series 2004 A Bonds, or any other agency, board or department of the State of West Virginia that succeeds to the functions of the Authority.

"Authorized Officer" means the Chairperson of the Governing Body of the Issuer or any temporary Acting Chairperson duly elected by the Governing Body.

"Bond Legislation," "Resolution," "Bond Resolution" or "Local Act" means this Bond Resolution and all orders and resolutions supplemental hereto or amendatory hereof.

"Bond Registrar" means the Issuer, the bank or other entity to be designated as such in this Bond Resolution or the Supplemental Resolution and its successors and assigns.

"Bond Year" means the 12-month period beginning on the anniversary of the Closing Date in each year and ending on the day prior to the anniversary date of the Closing Date in the following year, except that the first Bond Year shall begin on the Closing Date.

"Bonds" means, collectively, the Series 2004 Bonds, the Prior Bonds and any bonds on a parity therewith subsequently authorized to be issued hereunder or by another resolution of the Issuer.

"Chairperson" means the Chairperson of the Governing Body of the Issuer or any temporary Acting Chairperson duly elected by the Governing Body.

"Closing Date" means the date upon which there is an exchange of the Series 2004 Bonds for all or a portion of the proceeds of the Series 2004 Bonds.

"Code" means the Internal Revenue Code of 1986, as amended, and the Regulations.

"Commission" means the West Virginia Municipal Bond Commission or any other agency of the State of West Virginia that succeeds to the functions of the Commission.

"Consulting Engineers" means Boyles & Hildreth, Spencer, West Virginia, or any qualified engineer or firm of engineers, licensed by the State, that shall at any time hereafter be procured by the Issuer as Consulting Engineers for the System or portion thereof in accordance with Chapter 5G, Article 1 of the Code of West Virginia, 1931, as amended.

"Costs" or "Costs of the Project" means those costs described in Section 1.02E hereof to be a part of the costs of acquisition and construction of the Project and the costs of refunding the Series 2001 A Bonds.

"Council" means the West Virginia Infrastructure and Jobs Development Council or any other agency of the State of West Virginia that succeeds to the functions of the Council.

"Depository Bank" means the bank or banks designated as such in the Supplemental Resolution and any successors and assigns, which shall be a member of FDIC.

"Depreciation Fund" means the Depreciation Fund created by the Prior Resolutions and continued by Section 5.01 hereof.

"FDIC" means the Federal Deposit Insurance Corporation and any successor to the functions of the FDIC.

"Fiscal Year" means each 12-month period beginning on July 1 and ending on the succeeding June 30.

"Governing Body" or "Board" means the public service board of the Issuer, as it may now or hereafter be constituted.

"Government" means the United States of America, United States Department of Agriculture, Rural Utilities Service, which is expected to be the original purchaser and Registered Owner of the Series 2004 B Bonds.

"Government Obligations" means direct obligations of, or obligations the timely payment of the principal of and interest on which is guaranteed by, the United States of America.

"Grants" means all moneys received by the Issuer on account of any Grant for the Project.

"Gross Revenues" means all rates, rents, fees, charges, or other income received by the Issuer, or accrued to the Issuer, or any department, board, agency or instrumentality thereof in control of the management and operation of the System, from the operation of the System, and all parts thereof, all as calculated in accordance with sound accounting practices.

"Herein," "hereto" and similar words shall refer to this entire Bond Legislation.

"Independent Certified Public Accountants" means any certified public accountant or firm of certified public accountants that shall at any time hereafter be retained by the Issuer to prepare an independent annual or special audit of the accounts of the System or for any other purpose except keeping the accounts of the System in the normal operation of its business and affairs.

"Investment Property" means:

(A) any security (within the meaning of Section 165(g)(2)(A) or (B) of the Code),

(B) any obligation,

(C) any annuity contract,

(D) any investment-type property, or

(E) in the case of a bond other than a private activity bond, any residential rental property for family units which is not located within the jurisdiction of the Issuer and which is not acquired to implement a court ordered or approved housing desegregation plan.

Except as provided in the following sentence, the term "Investment Property" does not include any tax-exempt bond. With respect to an issue other than an issue a part of which is a

specified private activity bond (as defined in section 57(a)(5)(C) of the Code), the term "Investment Property" includes a specified private activity bond (as so defined).

"Issuer" means Clay-Roane Public Service District, a public service district, public corporation and political subdivision of the State of West Virginia in Clay and Roane Counties, West Virginia, and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

"Letter of Conditions" means, collectively, the Letter of Conditions of the Government dated February 7, 1997, as amended by Amendment No. 1 to Letter of Conditions dated August 18, 1997, and all amendments thereto.

"Loan Agreement" means the Loan Agreement heretofore entered, or to be entered, into by and between the Issuer and the Authority, on behalf of the Council, providing for the purchase of the Series 2004 A Bonds from the Issuer by the Authority, the form of which shall be approved, and the execution and delivery by the Issuer authorized and directed or ratified, by the Supplemental Resolution.

"Net Proceeds" means the face amount of the Series 2004 Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds, if any, deposited in the Reserve Accounts. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 2004 Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

"Net Revenues" means the balance of the Gross Revenues, remaining after deduction of Operating Expenses, as hereinafter defined.

"Nonpurpose Investment" means any Investment Property as defined in Section 148(b) of the Code that is not a purpose investment.

"Operating Expenses" means the current expenses, paid or accrued, of operation and maintenance of the System and its facilities, and includes, without limiting the generality of the foregoing, insurance premiums, salaries, wages and administrative expenses of the Issuer relating and chargeable solely to the System, the accumulation of appropriate reserves for charges not annually recurrent but which are such as may reasonably be expected to be incurred, and such other reasonable operating costs as are normally and regularly included under recognized accounting principles and retention of a sum not to exceed 1/6th of the budgeted Operating Expenses stated above for the current year as working capital, and language herein requiring payment of Operating Expenses means also retention of not to exceed such sum as working capital, provided that all monthly amortization payments upon the Bonds and into the Reserve Accounts and the Depreciation Fund have been made to the last monthly payment date prior to the date of such retention.

"Outstanding," when used with reference to Bonds and as of any particular date, describes all Bonds theretofore and thereupon being authenticated and delivered, except (i) any Bond canceled by the Bond Registrar at or prior to said date; (ii) any Bond for the payment of which moneys, equal to its principal amount and redemption premium, if applicable, with interest to the date of maturity or redemption shall be in trust hereunder and set aside for such payment (whether upon or prior to maturity); (iii) any Bond deemed to have been paid as provided in Article X hereof; and (iv) for purposes of consents or other action by a specified percentage of Registered Owners, any Bonds registered to the Issuer.

"Parity Bonds" means additional Parity Bonds issued under the provisions and within the limitations prescribed by Section 7.07 hereof.

"Paying Agent" means the Commission or other entity designated as such for the Series 2004 A Bonds in the Supplemental Resolution.

"Prior Bonds" means, collectively, (1) the Water Revenue Bond, Series 1990, dated November 5, 1990, issued in the original principal amount of $450,000, (2) the Water Revenue Bond (Varneytown Project), Series 1997, dated April 4, 1997, issued in the original principal amount of $40,000, and (3) the Procious Public Service District, Water Revenue Bond, Series 1982, dated September 24, 1982, issued in the original principal amount of $192,000, heretofore assumed by the Issuer in connection with its acquisition of Procious Public Service District.

"Prior Resolutions" means, collectively, the resolutions of the Issuer adopted November 5, 1990, April 4, 1997, and September 24, 1982, authorizing the Prior Bonds.

"Private Business Use" means use (directly or indirectly) in a trade or business carried on by any person other than a governmental unit; provided that, use as a member of the general public shall not be taken into account.

"Project" means the Project as described in Section 1.02B hereof.

"PSC" means the Public Service Commission of West Virginia and any successor to the functions thereof.

"PSC Order" means, collectively, the final order or orders of the PSC, granting the Issuer a certificate of convenience and necessity to construct the Project and approving the financing for the Project and the rates of the System.

"Qualified Investments" means and includes any of the following:

(a) Government Obligations;

(b) Government Obligations which have been stripped of their unmatured interest coupons, interest coupons stripped from Government Obligations, and receipts or certificates

evidencing payments from Government Obligations or interest coupons stripped from Government Obligations;

(c) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies: Banks for Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Government National Mortgage Association; Tennessee Valley Authority; or Washington Metropolitan Area Transit Authority;

(d) Any bond, debenture, note, participation certificate or other similar obligations issued by the Federal National Mortgage Association to the extent such obligation is guaranteed by the Government National Mortgage Association or issued by any other federal agency and backed by the full faith and credit of the United States of America;

(e) Time accounts (including accounts evidenced by time certificates of deposit, time deposits or other similar banking arrangements) which, to the extent not insured by the FDIC or Federal Savings and Loan Insurance Corporation, shall be secured by a pledge of Government Obligations, provided, that said Government Obligations pledged either must mature as nearly as practicable coincident with the maturity of said time accounts or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said time accounts;

(f) Money market funds or similar funds whose only assets are investments of the type described in paragraphs (a) through (e) above;

(g) Repurchase agreements, fully secured by investments of the types described in paragraphs (a) through (e) above, with banks or national banking associations which are members of FDIC or with government bond dealers recognized as primary dealers by the Federal Reserve Bank of New York, provided, that said investments securing said repurchase agreements either must mature as nearly as practicable coincident with the maturity of said repurchase agreements or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said repurchase agreements, and provided further that the holder of such repurchase agreement shall have a prior perfected security interest in the collateral therefor; must have (or its agent must have) possession of such collateral; and such collateral must be free of all claims by third parties;

(h) The West Virginia "consolidated fund" managed by the West Virginia Investment Management Board pursuant to Chapter 12, Article 6 of the Code of West Virginia, 1931, as amended; and

(i) Obligations of states or political subdivisions or agencies thereof, the interest on which is excluded from gross income for federal income tax purposes, and which are rated at least "A" by Moody's Investors Service, Inc. or Standard & Poor's Corporation.

"Registered Owner" or any similar term whenever used herein with respect to

an outstanding Bond or Bonds, means the person in whose name such Bond is registered.

"Registrar" means the Bond Registrar.

"Regulations" means temporary and permanent regulations promulgated under the Code or any predecessor to the Code.

"Reserve Accounts" means, collectively, the respective reserve accounts of the Series 2004 Bonds and the Prior Bonds.

"Reserve Requirement" means, collectively, the respective amounts required to be on deposit in the Reserve Accounts.

"Revenue Fund" means the Revenue Fund created by the Prior Resolutions and continued by Section 5.01 hereof.

"Secretary" means the Secretary of the Governing Body of the Issuer.

"Series 2004 Bonds" means, collectively, the Series 2004 A Bonds and the Series 2004 B Bonds.

"Series 2004 Bonds Construction Trust Fund" means the Series 2004 Bonds Construction Trust Fund created by Section 5.01 hereof.

"Series 2004 A Bonds" means the Water Revenue Bonds, Series 2004 A (West Virginia Infrastructure Fund), of the Issuer, authorized by this Resolution.

"Series 2004 A Bonds Reserve Account" means the Series 2004 A Bonds Reserve Account created by Section 5.02 hereof.

"Series 2004 A Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest, if any, which will become due on the Series 2004 A Bonds in the then current or any succeeding year.

"Series 2004 A Bonds Sinking Fund" means the Series 2004 A Bonds Sinking Fund created by Section 5.02 hereof.

"Series 2004 B Bonds" means the Water Revenue Bonds, Series 2004 B (United States Department of Agriculture), of the Issuer, authorized by this Resolution.

"Series 2004 B Bonds Reserve Account" means the Series 2004 B Bonds Reserve Account created by Section 5.02 hereof.

"Series 2004 B Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2004 B Bonds in the then current or any succeeding year.

"Series 2004 B Bonds Sinking Fund" means the Series 2004 B Bonds Sinking Fund created by Section 5.03A(2) hereof.

"Sinking Funds" means, collectively, the respective sinking funds of the Series 2004 Bonds and the Prior Bonds.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution or order of the Issuer supplementing or amending this Resolution and, when preceded by the article "the," refers specifically to the supplemental resolution or resolutions authorizing the sale of the Series 2004 Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Series 2004 Bonds, and not so included, may be included in another Supplemental Resolution.

"Surplus Revenues" means the Net Revenues not required by the Bond Legislation to be set aside and held for the payment of or security for the Bonds or any other obligations of the Issuer, including, without limitation, the Sinking Funds, the Reserve Accounts and the Depreciation Fund.

"System" means the complete public service properties of the Issuer for the diversion, development, pumping, impounding, treatment, storage, distribution or furnishing of water to or for the public for industrial, public, private or other uses as presently existing in its entirety or any integral part thereof, and shall include the Project and any additions, improvements and extensions thereto hereafter constructed or acquired for the System from any sources whatsoever.

"Tap Fees" means the fees, if any, paid by prospective customers of the System in order to connect thereto.

"West Virginia Infrastructure Fund" means the West Virginia Infrastructure Fund established in accordance with Chapter 31, Article 15A, Section 9 of the Code of West Virginia, 1931, as amended and in effect on the date of adoption hereof.

Additional terms and phrases are defined in this Resolution as they are used. Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neutral gender shall include any other gender; and any requirement for execution or attestation of the Bonds or any certificate or other document by the Chairperson or the Secretary shall mean that such Bonds, certificate or other document may be executed or attested by an Acting Chairperson or Acting Secretary.

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT AND THE REFUNDING OF THE SERIES 2001 A BOND

Section 2.01. Authorization of Acquisition and Construction of the Project and the Refunding of the Series 2001 A Bond. There is hereby authorized and ordered the refunding of the Series 2001 A Bond and the acquisition and construction of the Project, at an estimated cost of $5,485,550, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Series 2004 Bonds shall be applied as provided in Article VI hereof. The Issuer has received bids and will enter into contracts for the acquisition and construction of the Project, in an amount and otherwise compatible with the financing plan submitted to the Government, the Authority, and the Council.

The cost of the Project, including the cost of refunding the Series 2001 A Bond, is estimated to be $5,485,550, of which $1,000,000 will be obtained from proceeds of the Series 2004 A Bonds, $360,000 will be obtained from proceeds of the Series 2004 B Bonds, $1,210,550 will be obtained from a grant by the Government, $2,415,000 will be obtained from a grant by the Council, and $500,000 will be obtained from a grant by the Appalachian Regional Commission. The cost of refunding the Series 2001 A Bond is estimated to be $295,000, which will be paid from proceeds of the Series 2004 A Bonds.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS; AUTHORIZATION AND EXECUTION OF LOAN AGREEMENT

Section 3.01. Authorization of Bonds. For the purposes of capitalizing interest on the Series 2004 Bonds, funding the respective Reserve Account for the Series 2004 Bonds, paying Costs of the Project not otherwise provided for, paying the cost of refunding the Series 2001 A Bond and paying certain costs of issuance of the Series 2004 Bonds and related costs, or any or all of such purposes, as determined by the Supplemental Resolution, there shall be and hereby are authorized to be issued negotiable Series 2004 Bonds of the Issuer. The Series 2004 Bonds shall be issued in two series, each as a single bond, designated respectively as "Water Revenue Bonds, Series 2004 A (West Virginia Infrastructure Fund)," in the principal amount of not more than $1,000,000, and "Water Revenue Bonds, Series 2004 B (United States Department of Agriculture)," in the principal amount of not more than $360,000, and each shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Series 2004 Bonds remaining after funding the Reserve Accounts (if funded from Bond proceeds) and capitalizing interest on the Series 2004 Bonds, if any, shall be deposited in or credited to the Series 2004 Bonds Construction Trust Fund established by Section 5.01 hereof and applied as set forth in Article VI hereof.

Section 3.02. Terms of Bonds. A. The Series 2004 A Bonds shall be issued in such principal amounts; shall bear interest, if any, at such rate or rates, not exceeding the legal maximum rate, payable quarterly on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in a Supplemental Resolution or as specifically provided in the Loan Agreement. The Series 2004 A Bonds shall be payable as to principal at the office of the Paying Agent, in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Series 2004 A Bonds, if any, shall be paid by check or draft of the Paying Agent mailed to the Registered Owner thereof at the address as it appears on the books of the Bond Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

Unless otherwise provided by the Supplemental Resolution, the Series 2004 A Bonds shall be issued in the form of a single bond, fully registered to the Authority, with a record of advances and a debt service schedule attached, representing the aggregate principal amount of the Series 2004 A Bonds. The Series 2004 A Bonds shall be exchangeable at the option and expense of the Registered Owner for another fully registered Bond or Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

B. The Series 2004 B Bonds shall be issued in such principal amounts; shall bear interest at such rate or rates, not exceeding the legal maximum rate, payable monthly on such dates, shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in the Supplemental Resolution or as specifically provided in the Series 2004 B Bonds.

Subsequent series of Bonds, if any, shall be issued in fully registered form and in denominations as determined by a Supplemental Resolution. Such Bonds shall be dated and shall have such terms as set forth in a Supplemental Resolution.

Section 3.03. Execution of Bonds. The Series 2004 Bonds shall be executed in the name of the Issuer by the Chairperson, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed the Series 2004 Bonds shall cease to be such officer of the Issuer before the Series 2004 Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Series 2004 Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Bond Registrar; Authentication and Registration. A. The Bond Registrar for the Series 2004 A Bonds shall be the bank or other entity to be designated as such in the Supplemental Resolution and its successors and assigns. No such Bonds shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the form set forth in Section 3.10 hereof, shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any such Bonds shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of such Bonds issued hereunder. The provisions of this paragraph relating to authentication and registration shall not apply to the Series 2004 B Bonds.

B. The Issuer shall be the Bond Registrar for the Series 2004 B Bonds and will keep, or cause to be kept by its agent, at its office, books for the registration and transfer of the Series 2004 B Bonds and, upon presentation for such purpose, the Bond Registrar shall, under such reasonable regulations as it may prescribe, register the Series 2004 B Bonds initially issued pursuant hereto and register the transfer, or cause to be registered by its agent, on such books, the transfer of the Series 2004 B Bonds as hereinbefore provided.

The Bond Registrar shall accept the Series 2004 B Bonds for registration or transfer only if ownership thereof is to be registered in the name of the Government, an individual (including joint ownership), a corporation, a partnership or a trust, and only upon receipt of the social security number of each individual, the federal employer identification number of each corporation or partnership or the social security numbers of the settlor and beneficiaries of each trust and the federal employer identification number and date of each trust and the name of the trustee of each trust and/or such other identifying number and information as may be required by law. The Series 2004 B Bonds shall initially be fully registered as to both principal and interest in the name of the United States of America. So long as the Series 2004 B Bonds shall be registered in the name of the United States of America, the address of the United States of America for registration purposes shall be National Finance Office, 1520 Market Street, St. Louis, Missouri 63103, or such other address as shall be stated in writing to the Issuer by the United States of America.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 2004 Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Registered Owner, in accepting the Series 2004 Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Registered Owner shall further be conclusively deemed to have agreed that such Bonds shall be incontestable in the hands of a bona fide registered owner for value.

So long as the Series 2004 Bonds remain outstanding, the Issuer, through the Bond Registrar as its agent, shall keep and maintain books for the registration and transfer of the Bonds.

The registered Series 2004 Bonds shall be transferable only upon the books of the Bond Registrar, by the Registered Owner thereof in person or by his attorney duly authorized in writing, upon surrender thereto, together with a written instrument of transfer satisfactory to the Bond Registrar, duly executed by the Registered Owner or his duly authorized attorney.

In all cases in which the privilege of exchanging Series 2004 Bonds or transferring the registered Series 2004 Bonds is exercised, all such Bonds shall be delivered in accordance with the provisions of this Bond Legislation. All such Bonds surrendered in any such exchanges or transfers shall forthwith be canceled by the Bond Registrar. For every such exchange or transfer of such Bonds, the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and the cost of preparing each new Bond upon each exchange or transfer, and any other expenses of the Bond Registrar incurred in connection therewith, which sum or sums shall be paid by the Issuer. The Bond Registrar shall not be obliged to make any such exchange or transfer of Bonds during the period commencing on the 15th day of the month next preceding an interest payment date on such Bonds or, in the case of any proposed redemption of such Bonds, next preceding the date of the selection of Bonds to be redeemed, and ending on such interest payment date or redemption date.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 2004 Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Registered Owner's furnishing satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be cancelled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Series 2004 Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided. No Registered Owner of such Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay such Bonds or the interest, if any, thereon.

Section 3.08. Bonds Secured by Pledge of Net Revenues; Lien Position with Respect to Prior Bonds. The payment of the debt service of the Series 2004 A Bonds and the Series 2004 B Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net

Revenues, on a parity with the lien on the Net Revenues in favor of the Registered Owners of the Prior Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest, if any, on and other payments for the Series 2004 Bonds and the Prior Bonds and to make all other payments provided for in the Bond Legislation and the Prior Resolutions, are hereby irrevocably pledged to such payments as they become due.

Section 3.09. Delivery of Bonds. A. The Issuer shall execute and deliver the Series 2004 A Bonds to the Bond Registrar, and the Bond Registrar shall authenticate, register and deliver the Series 2004 A Bonds to the original purchasers upon receipt of a request and authorization to the Bond Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver such Bonds to the original purchasers.

B. The Issuer shall execute and deliver the Series 2004 B Bonds to the Government as soon as the Government will accept such delivery.

Section 3.10. Form of Bonds. The text of each series of the Series 2004 Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

(FORM OF SERIES 2004 A BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CLAY-ROANE PUBLIC SERVICE DISTRICT
WATER REVENUE BOND, SERIES 2004 A
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. AR-1 $1,000,000

KNOW ALL MEN BY THESE PRESENTS: That CLAY-ROANE PUBLIC SERVICE DISTRICT, a public service district, public corporation and political subdivision of the State of West Virginia in Clay and Roane Counties of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY (the "Authority") or registered assigns, the sum of ONE MILLION DOLLARS ($1,000,000), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 2006, as set forth on the "Debt Service Schedule" attached as EXHIBIT B hereto and incorporated herein by reference.

This Bond shall bear no interest. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent").

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Infrastructure and Jobs Development Council (the "Council"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and between the Issuer and the Authority, on behalf of the Council, dated November 12, 2004.

This Bond is issued (i) to pay in full the entire outstanding principal of and any interest and administrative fees on the Issuer's Water Revenue Bond, Series 2001 A (West Virginia Infrastructure Fund) (the "Series 2001 A Bond); (ii) to pay a portion of the costs of acquisition and construction of certain improvements and extensions to the existing public water facilities of the Issuer (the "Project"); and (iii) to pay certain costs of issuance of this Bond and related costs. The existing public water facilities of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A and Chapter 31, Article 15A of the Code of West Virginia, 1931, as

amended (collectively, the "Act"), a Bond Resolution duly adopted by the Issuer on October 14, 2004, and a Supplemental Resolution duly adopted by the Issuer on October 14, 2004 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for this Bond under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL OTHER RESPECTS, WITH THE ISSUER'S (1) WATER REVENUE BOND, SERIES 1990, DATED NOVEMBER 5, 1990, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $450,000 (THE "SERIES 1990 BOND"); (2) WATER REVENUE BOND (VARNEYTOWN PROJECT), SERIES 1997, DATED APRIL 4, 1997, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $40,000 (THE "SERIES 1997 BOND"); (3) THE PROCIOUS PUBLIC SERVICE DISTRICT, WATER REVENUE BOND, SERIES 1982, DATED SEPTEMBER 24, 1982, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $192,000 (THE "SERIES 1982 BOND"); AND (4) ISSUED CONCURRENTLY HEREWITH THE WATER REVENUE BONDS, SERIES 2004 B (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED NOVEMBER 12, 2004, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $360,000 (THE "SERIES 2004 B BONDS"). THE SERIES 1990 BOND, THE SERIES 1997 BOND AND THE SERIES 1982 BOND ARE HEREINAFTER COLLECTIVELY CALLED THE "PRIOR BONDS."

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the System, on a parity with the pledge of Net Revenues in favor of the registered owners of the Prior Bonds and the Series 2004 B Bonds, and from moneys in the reserve account created under the Bond Legislation for this Bond (the "Series 2004 A Bonds Reserve Account") and unexpended proceeds of this Bond. Such Net Revenues shall be sufficient to pay the principal of and interest, if any, on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues, the moneys in the Series 2004 A Bonds Reserve Account and unexpended proceeds of this Bond. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount of principal of and interest, if any, on this Bond payable in any year and all other obligations secured by a lien on or payable from such revenues on a parity with this Bond, including the Prior Bonds and the Series 2004 B Bonds; provided however, that so long as there exists in the Series 2004 A Bonds Reserve Account, an amount at least equal to the maximum amount of principal and interest, if any, which will become due on this Bond in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with this Bond, including the Prior Bonds and the Series 2004 B Bonds, an amount at least equal to the requirement

therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the Registered Owner (as defined in the Bond Legislation) of this Bond for the terms of which reference is made to the Bond Legislation. Remedies provided the Registered Owner of this Bond are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of the Registrar (as defined in the Bond Legislation) by the Registered Owner, or by its attorney duly authorized in writing, upon the surrender of this Bond, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the Registered Owner or its attorney duly authorized in writing.

Subject to the registration requirements set forth herein, this Bond, under the provision of the Act, is and has all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State of West Virginia.

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law and the Bond Legislation, shall be applied solely to payment of the costs of refunding the Series 2001 A Bond, the costs of the Project and the costs of issuance hereof as described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the Registered Owner of this Bond.

In accordance with the requirements of the United States Department of Agriculture for the issuance of parity obligations, this Bond will be in default should any proceeds of this Bond be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and at the issuance of this Bond do exist, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the Net Revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of this Bond.

All provisions of the Bond Legislation, resolutions and statutes under which this Bond is issued shall be deemed to be a part of the contract evidenced by this Bond to the same extent as if written fully herein.

IN WITNESS WHEREOF, CLAY-ROANE PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairperson and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated November 12, 2004.

[SEAL]

_____
Chairperson

ATTEST:

_____
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2004 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the Registered Owner set forth above, as of the date set forth below.

Date: November 12, 2004.

CLAY COUNTY BANK, INC., as Registrar

By: _____
Authorized Officer

(Form of)

EXHIBIT A

RECORD OF ADVANCES

	AMOUNT	DATE		AMOUNT	DATE
(1)	$	11/12/04	(19)	$	
(2)	$		(20)	$	
(3)	$		(21)	$	
(4)	$		(22)	$	
(5)	$		(23)	$	
(6)	$		(24)	$	
(7)	$		(25)	$	
(8)	$		(26)	$	
(9)	$		(27)	$	
(10)	$		(28)	$	
(11)	$		(29)	$	
(12)	$		(30)	$	
(13)	$		(31)	$	
(14)	$		(32)	$	
(15)	$		(33)	$	
(16)	$		(34)	$	
(17)	$		(35)	$	
(18)	$		(36)	$	

TOTAL $_____

EXHIBIT B

DEBT SERVICE SCHEDULE

(Form of)

ASSIGNMENT

FOR VALUE RECEIVED the undersigned sells, assigns, and transfers unto _____ the within Bond and does hereby irrevocably constitute and appoint _____, Attorney to transfer the said Bond on the books kept for registration of the within Bond of the said Issuer with full power of substitution in the premises.

Dated: _____, 20__.

In the presence of:

_____

(FORM OF SERIES 2004 B BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CLAY-ROANE PUBLIC SERVICE DISTRICT
WATER REVENUE BOND, SERIES 2004 B
(UNITED STATES DEPARTMENT OF AGRICULTURE)

No. BR-1 $360,000

FOR VALUE RECEIVED, CLAY-ROANE PUBLIC SERVICE DISTRICT, a public service district, public corporation and political subdivision of the State of West Virginia in Clay and Roane Counties of said State (the "Issuer"), promises to pay to the order of the UNITED STATES OF AMERICA (the "Government"), at its National Finance Office, 1520 Market Street, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, and in the manner provided below, the principal sum of THREE HUNDRED SIXTY THOUSAND DOLLARS ($360,000), or such lesser amount as is set forth on the Record of Advances attached hereto and incorporated herein by reference, plus interest on the unpaid principal balance at the rate of 4.5% per annum.

The principal of and interest on this Bond shall be paid in the following installments on the following dates: Monthly installments of interest only on the amounts advanced hereunder, commencing 30 days following the date of delivery of this Bond and continuing on the corresponding day of each month thereafter for the first 24 months after the date hereof, and thereafter, on the corresponding day of each month in installments of principal and interest in the aggregate amount of $1,653.00, except that the final installment shall be paid at the end of 40 years from the date of this Bond in the sum of the unpaid principal and interest due on the date thereof and except that prepayments may be made as provided below. This consideration shall support any agreement modifying the foregoing schedule of payments.

If the total amount of the loan is not advanced at the time of loan closing, the loan shall be advanced to the Issuer as requested by the Issuer and approved by the Government and interest shall accrue on the amount of each advance from its actual date as shown on the Record of Advances attached hereto as a part hereof.

Every payment made on any indebtedness evidenced by this Bond shall be applied first to interest computed to the effective date of the payment and then to principal.

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of the Issuer. Extra payments, as defined in the regulations of the Government, shall, after payment of interest, be applied to the installment last to come due under this Bond and shall not affect the obligation of the Issuer to pay the remaining installments as scheduled herein.

Any amount advanced or expended by the Government for the collection hereof, or to preserve or to protect any security therefor, or otherwise under the terms of any security or other instrument executed in connection with the loan evidenced hereby, at the option of the Government, shall become a part of and bear interest at the same rate as the principal of the debt evidenced hereby and be immediately due and payable by the Issuer to the Government without demand. The Issuer agrees to use the loan evidenced hereby solely for purposes authorized by the Government. The Issuer has granted to the Government a lien on the proceeds of this Bond until such proceeds are expended for authorized purposes.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain improvements and extensions to the existing public water facilities of the Issuer (the "Project"); and (ii) to pay certain costs of issuance of this Bond and related costs. The existing public water facilities of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Act"), a Bond Resolution duly adopted by the Issuer on October 14, 2004, and a Supplemental Resolution duly adopted by the Issuer on October 14, 2004 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for this Bond under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL OTHER RESPECTS, WITH THE ISSUER'S (1) WATER REVENUE BOND, SERIES 1990, DATED NOVEMBER 5, 1990, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $450,000 (THE "SERIES 1990 BOND"); (2) WATER REVENUE BOND (VARNEYTOWN PROJECT), SERIES 1997, DATED APRIL 4, 1997, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $40,000 (THE "SERIES 1997 BOND"); (3) THE PROCIOUS PUBLIC SERVICE DISTRICT, WATER REVENUE BOND, SERIES 1982, DATED SEPTEMBER 24, 1982, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $192,000 (THE "SERIES 1982 BOND"); AND (4) ISSUED CONCURRENTLY HEREWITH THE WATER REVENUE BONDS, SERIES 2004 A (WEST VIRGINIA INFRASTRUCTURE FUND), DATED NOVEMBER 12, 2004, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,000,000 (THE "SERIES 2004 A BONDS"). THE SERIES 1990 BOND, THE SERIES 1997 BOND AND THE SERIES 1982 BOND ARE HEREINAFTER COLLECTIVELY CALLED THE "PRIOR BONDS."

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the System, on a parity with the pledge of Net Revenues in favor of the registered owners of the Prior Bonds and the Series 2004 A Bonds, and from moneys in the reserve account created under the Bond Legislation for this Bond (the "Series 2004 B Bonds Reserve Account") and unexpended proceeds of this Bond. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not

constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon, except from said special fund provided from the Net Revenues, the moneys in the Series 2004 B Bonds Reserve Account and unexpended proceeds of this Bond. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates or charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount of principal of and interest on this Bond payable in any year and all other obligations secured by a lien or payable from such revenues on a parity with this Bond, including the Prior Bonds and the Series 2004 A Bonds; provided however, that so long as there exists in the Series 2004 B Bonds Reserve Account, an amount at least equal to the maximum amount of principal and interest which will become due on this Bond in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with this Bond, including the Prior Bonds and the Series 2004 A Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the Registered Owner (as defined in the Bond Legislation) of this Bond for the terms of which reference is made to the Bond Legislation. Remedies provided the Registered Owner of this Bond are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth in the Bond Legislation, this Bond is transferable, as provided in the Bond Legislation, only upon the books of the Secretary of the Issuer, as registrar (the "Registrar"), which shall be kept for that purpose at the office of the Registrar, by the Registered Owner or by its attorney or legal representative duly authorized in writing, upon surrender of this Bond, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the Registered Owner or its attorney or legal representative duly authorized in writing.

Subject to the registration requirements set forth in the Bond Legislation, this Bond under the provision of the Act, is and has all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State of West Virginia.

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law and the Bond Legislation, shall be applied solely to payment of the costs of the Project and the costs of issuance hereof as described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the Registered Owner of this Bond.

The Issuer hereby certifies that it is unable to obtain sufficient credit elsewhere to finance its actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in or near its community for loans for such purposes and periods of time.

If at any time it so appears to the Government that the Issuer may be able to obtain a loan from a responsible cooperative or private creditor at reasonable rates and terms for loans for such purposes and period of time, the Issuer will at the Government's request apply for and accept such loan in sufficient amount to repay the Government.

In accordance with the requirements of the United States Department of Agriculture for the issuance of parity obligations, this Bond will be in default should any proceeds of this Bond be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity.

This Bond is given as evidence of a loan to the Issuer made or insured by the Government pursuant to the Rural Development Act of 1972. This Bond shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and at the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the Net Revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of and interest on this Bond.

All provisions of the Bond Legislation, resolutions and statutes under which this Bond is issued shall be deemed to be a part of the contract evidenced by this Bond to the same extent as if written fully herein.

IN WITNESS WHEREOF, CLAY-ROANE PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairperson and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated November 12, 2004.

_____
Chairperson

[SEAL]

ATTEST:

_____
Secretary

(Form of)

RECORD OF ADVANCES

	AMOUNT	DATE		AMOUNT	DATE
(1)	$	11/12/04	(19)	$	
(2)	$		(20)	$	
(3)	$		(21)	$	
(4)	$		(22)	$	
(5)	$		(23)	$	
(6)	$		(24)	$	
(7)	$		(25)	$	
(8)	$		(26)	$	
(9)	$		(27)	$	
(10)	$		(28)	$	
(11)	$		(29)	$	
(12)	$		(30)	$	
(13)	$		(31)	$	
(14)	$		(32)	$	
(15)	$		(33)	$	
(16)	$		(34)	$	
(17)	$		(35)	$	
(18)	$		(36)	$	
			TOTAL	$	

(Form of)

ASSIGNMENT

FOR VALUE RECEIVED the undersigned sells, assigns, and transfers unto _____ the within Bond and does hereby irrevocably constitute and appoint _____, Attorney to transfer said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____, 20__.

In the presence of:

_____

Section 3.11. Sale of Bonds; Approval and Ratification of Execution of Loan Agreement. The Series 2004 A Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous resolution, the Chairperson is specifically authorized and directed to execute the Loan Agreement and the Secretary is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, approved, ratified and confirmed. The Loan Agreement, including all schedules and exhibits attached thereto, are hereby approved and incorporated into this Bond Legislation. The Series 2004 B Bonds shall be sold to the Government, pursuant to the terms and conditions of the Letter of Conditions. The Letter of Conditions, including all attachments, are hereby approved and incorporated into this Bond Legislation.

Section 3.12. Filing of Amended Schedule. Upon completion of the acquisition and construction of the Project, the Issuer will file with the Authority, the Council and the Government, a schedule, the forms of which will be provided by the Council and the Government, setting forth the actual costs of the Project and sources of funds therefor.

ARTICLE IV

[RESERVED]

ARTICLE V

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are hereby created with (or continued if previously established by the Prior Resolutions)and shall be held by the Depository Bank separate and apart from all other funds or accounts of the Depository Bank and the Issuer and from each other:

(1) Revenue Fund (established by the Prior Resolutions);

(2) Depreciation Fund (established by the Prior Resolutions); and

(3) Series 2004 Bonds Construction Trust Fund.

Section 5.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby created with and shall be held by the Commission separate and apart from all other funds or accounts of the Commission and the Issuer and from each other:

(1) Series 2004 A Bonds Sinking Fund;

(2) Series 2004 A Bonds Reserve Account; and

(3) Series 2004 B Bonds Reserve Account.

Section 5.03. System Revenues; Flow of Funds. A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Bond Legislation and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided. All revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following order of priority:

(1) The Issuer shall first, each month, pay from the Revenue Fund all current Operating Expenses of the System.

(2) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously (i) remit to the National Finance Office, the amount required by the Prior Resolutions for payment of the interest on the Prior Bonds; and (ii) remit to the National Finance Office for deposit in the Series 2004 B Bonds Sinking Fund hereby established at the National Finance Office, the amount of interest due as set forth in the Series 2004 B Bonds.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously (i) remit to the National Finance Office, the amount required by the Prior Resolutions for payment of the principal of the Prior Bonds; (ii) remit to the Commission, commencing 3 months prior to the first date of payment of principal of the Series 2004 A Bonds, for deposit in the Series 2004 A Bonds Sinking Fund, an amount equal to 1/3rd of the amount of principal which will mature and become due on the Series 2004 A Bonds on the next ensuing quarterly principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2004 A Bonds Sinking Fund and the next quarterly principal payment date is less than 3 months, then such monthly payment shall be increased proportionately to provide, 1 month prior to the next quarterly principal payment date, the required amount of principal coming due on such date; and (iii) remit to the National Finance Office, commencing 24 months following the date of delivery of the Series 2004 B Bonds, for deposit in the Series 2004 B Bonds Sinking Fund, the amount of principal due as set forth in the Series 2004 B Bonds.

The deposits into the Series 2004 B Bonds Sinking Fund provided in this paragraph and in Section 5.03A(2) above, constitute actual payments of principal of and interest on the Series 2004 B Bonds to the Government.

(4) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously (i) remit to the Commission for deposit in the Reserve Accounts for the Prior Bonds, the amounts required by the Prior Resolutions to be deposited therein; (ii) remit to the Commission, commencing 3 months after the completion of construction of the Project, as certified by the Consulting Engineers, if not fully funded upon the issuance of the Series 2004 A Bonds, for deposit in the Series 2004 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2004 A Bonds Reserve Requirement, until the amount in the Series 2004 A Bonds Reserve Account equals the Series 2004 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2004 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2004 A Bonds Reserve Requirement; and (iii) remit to the Commission, commencing 3 months after the completion of construction of the Project, as certified by the Consulting Engineers, if not fully funded upon the issuance of the Series 2004 B Bonds, for deposit in the Series 2004 B Bonds Reserve Account, an amount equal to 1/120th of the Series 2004 B Bonds Reserve Requirement, until the amount in the Series 2004 B Bonds Reserve Account equals the Series 2004 B Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2004 B Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2004 B Bonds Reserve Requirement.

(5) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Depreciation Fund, (i) the amounts required by the Prior Resolutions to be deposited therein; and (ii) an amount equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account, so long as the Series 2004 A Bonds are outstanding. All funds in the Depreciation Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Depreciation Fund for replacements, repairs, improvements or extensions to the System; provided that, any deficiencies in any Reserve Account, except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof, shall be promptly eliminated with moneys from the Depreciation Fund.

Moneys in the Series 2004 A Bonds Sinking Fund and the Series 2004 B Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, on the Series 2004 Bonds, respectively, as the same shall become due. Moneys in the Series 2004 A Bonds Reserve Account and the Series 2004 B Bonds Reserve Account shall be used only for the purposes of paying principal of and interest, if any, on the Series 2004 Bonds, respectively, as the same shall come due, when other moneys in the respective Sinking Funds are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the Series 2004 A Bonds Reserve Account and the Series 2004 B Bonds Reserve Account (if fully funded) shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during construction of the Project, be deposited in the Series 2004 Bonds Construction Trust Fund, and following

completion of construction of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment, if any, due on the Series 2004 Bonds, respectively, and then to the next ensuing principal payment due thereon, all on a pro rata basis.

Any withdrawals from the Series 2004 A Bonds Reserve Account or the Series 2004 B Bonds Reserve Account which result in a reduction in the balance therein to below the respective Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments have been made in full in the order set forth above.

As and when additional Bonds ranking on a parity with the Series 2004 Bonds are issued, provision shall be made for additional payments into the respective sinking funds sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the respective reserve accounts in an amount equal to the requirement therefor.

The Issuer shall not be required to make any further payments into the respective Sinking Fund or the Reserve Account for the Series 2004 Bonds when the aggregate amount of funds therein are at least equal to the respective aggregate principal amount of the Series 2004 Bonds issued pursuant to this Bond Legislation then Outstanding and all interest, if any, to accrue until the maturity thereof.

Interest, principal or reserve account payments, whether made for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Series 2004 Bonds and the Prior Bonds, in accordance with the respective principal amounts then Outstanding.

The Commission is hereby designated as the fiscal agent for the administration of the Series 2004 A Bonds Sinking Fund, the Series 2004 A Bonds Reserve Account and the Series 2004 B Bonds Reserve Account created hereunder, and all amounts required for such accounts shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein. If required by the Authority or the Government at any time, the Issuer shall make the necessary arrangements whereby required payments into such accounts shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

Moneys in the Series 2004 A Bonds Sinking Fund, the Series 2004 A Bonds Reserve Account and the Series 2004 B Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The respective Sinking Fund and the Reserve Account for the Series 2004 Bonds shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 2004 Bonds, respectively, under the conditions and restrictions set forth herein.

B. The Issuer shall on the first day of each month (if the first day is not a business day, then the first business day of each month) deposit with the Commission the required interest,

principal and reserve account payments and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Legislation. All remittances made by the Issuer to the Commission shall clearly identify the fund or account into which each amount is to be deposited.

C. The Issuer shall complete the "Monthly Payment Form," a form of which is attached to the Loan Agreement, and submit a copy of said form, together with a copy of its payment check to the Authority by the 5th day of such calendar month.

D. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinbefore provided, are current and there remains in the Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into such funds during the following month or such other period as required by law, such excess shall be considered Surplus Revenues. Surplus Revenues may be used for any lawful purpose of the System.

E. The Issuer shall remit from the Revenue Fund to the Commission, the Registrar, the Paying Agent or the Depository Bank, on such dates as the respective parties shall require, such additional sums as shall be necessary to pay their respective charges and fees then due. In the case of payments to the Commission under this paragraph, the Issuer shall, if required by the Authority or the Government at any time, make the necessary arrangements whereby such required payments shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required.

F. The moneys in excess of the maximum amounts insured by FDIC in all funds and accounts shall at all times be secured, to the full extent thereof in excess of such insured sum, by Qualified Investments as shall be eligible as security for deposits of state and municipal funds under the laws of the State.

G. If on any monthly payment date the revenues are insufficient to place the required amount in any of the funds and accounts as hereinabove provided, the deficiency shall be made up in the subsequent payments in addition to the payments which would otherwise be required to be made into the funds and accounts on the subsequent payment dates; provided, however, that the priority of curing deficiencies in the funds and accounts herein shall be in the same order as payments are to be made pursuant to this Section 5.03, and the Net Revenues shall be applied to such deficiencies before being applied to any other payments hereunder.

H. The Gross Revenues of the System shall only be used for purposes of the System.

ARTICLE VI

APPLICATION OF BOND PROCEEDS

Section 6.01. Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds. From the moneys received from the sale of the Series 2004 Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 2004 A Bonds, there shall first be deposited in the Series 2004 A Bonds Sinking Fund, the amount, if any, set forth in the Supplemental Resolution as capitalized interest; provided, that such amount may not exceed the amount necessary to pay interest on the Series 2004 A Bonds for the period commencing on the date of issuance of the Series 2004 A Bonds and ending 6 months after the estimated date of completion of construction of the Project.

B. From the proceeds of the Series 2004 B Bonds, there shall first be deposited in the Series 2004 B Bonds Sinking Fund, the amount, if any, set forth in the Supplemental Resolution as capitalized interest; provided, that such amount may not exceed the amount necessary to pay interest on the Series 2004 B Bonds for the period commencing on the date of issuance of the Series 2004 B Bonds and ending 6 months after the estimated date of completion of construction of the Project.

C. Next, from the proceeds of the Series 2004 A Bonds, there shall be deposited in the Series 2004 A Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding the Series 2004 A Bonds Reserve Account.

D. Next, from the proceeds of the Series 2004 B Bonds, there shall be deposited in the Series 2004 B Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding the Series 2004 B Bonds Reserve Account.

E. Next, from the proceeds of the Series 2004 A Bonds, there shall be paid to the Commission, the amount set forth in the Supplemental Resolution for paying in full the entire outstanding principal of and any accrued interest and administrative fees on the Series 2001 A Bonds.

F. As the Issuer receives advances of the remaining moneys derived from the sale of the Series 2004 A Bonds, such moneys shall be deposited with the Depository Bank in the Series 2004 Bonds Construction Trust Fund and applied solely to payment of costs of the Project in the manner set forth in Section 6.02 and until so expended, are hereby pledged as additional security for the Series 2004 A Bonds.

G. As the Issuer receives advances of the remaining moneys derived from the sale of the Series 2004 B Bonds, such moneys shall be deposited with the Depository Bank in the Series 2004 Bonds Construction Trust Fund and applied solely to payment of costs of the Project in the manner set forth in Section 6.02 and until so expended, are hereby pledged as additional security for the Series 2004 B Bonds.

H. After completion of construction of the Project, as certified by the Consulting Engineers, and all costs have been paid, any remaining proceeds of the Series 2004 A Bonds shall be expended as directed by the Council and any remaining proceeds of the Series 2004 B Bonds shall be expended as directed by the Government.

Section 6.02. Disbursements From the Bond Construction Trust Fund.

A. The Issuer shall each month provide the Council with a requisition for the costs incurred for the Project, together with such documentation as the Council shall require. Payments of all costs of the Project shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements of proceeds of the Series 2004 A Bonds from the Series 2004 Bonds Construction Trust Fund shall be made only after submission to and approval from the Council of a certificate, signed by an Authorized Officer and the Consulting Engineers, stating that:

(a) None of the items for which the payment is proposed to be made has formed the basis for any disbursement theretofore made;

(b) Each item for which the payment is proposed to be made is or was necessary in connection with the Project and constitutes a cost of the Project;

(c) Each of such costs has been otherwise properly incurred; and

(d) Payment for each of the items proposed is then due and owing.

The Issuer shall expend all proceeds of the Series 2004 A Bonds within 3 years of the date of issuance of the Council's bonds, the proceeds of which were used to make the loan to the Issuer.

B. The proceeds of the Series 2004 B Bonds in the Series 2004 Bonds Construction Trust Fund shall be used solely to pay the cost of acquisition and construction of the Project upon vouchers and other documentation approved by the Government.

Until completion of acquisition and construction of the Project, the Issuer will transfer sufficient proceeds of the Series 2004 B Bonds from the Series 2004 Bonds Construction Trust Fund and pay to the Government on or before the due date, such sums as shall be required to make the monthly payments on the Series 2004 B Bonds, if there are not sufficient revenues to make such monthly payments.

Pending such application, moneys in the Series 2004 Bonds Construction Trust Fund shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Bond Legislation shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Registered Owner of the Series 2004 Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Registered Owner of the Series 2004 Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as the Series 2004 Bonds or the interest, if any, thereon are Outstanding and unpaid.

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Series 2004 Bonds shall not be nor constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Registered Owner of the Series 2004 Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 2004 Bonds or the interest, if any, thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues; Lien Position with Respect to Prior Bonds. The payment of the debt service of the Series 2004 A Bonds and the Series 2004 B Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues, on a parity with the lien on the Net Revenues in favor of the Registered Owners of the Prior Bonds. The Net Revenues in an amount sufficient to pay the principal of and interest, if any, on the Series 2004 Bonds and the Prior Bonds and to make the payments into all funds and accounts and all other payments provided for in the Bond Legislation and the Prior Resolutions are hereby irrevocably pledged, in the manner provided herein, to such payments as they become due, and for the other purposes provided in the Bond Legislation.

Section 7.04. Initial Schedule of Rates and Charges. The Issuer has obtained any and all approvals of rates and charges required by State law and has taken any other action required to establish and impose such rates and charges, with all requisite appeal periods having expired without successful appeal. Such rates and charges shall be sufficient to comply with the requirements of the Loan Agreement. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth in and approved by the PSC Order and such rates are hereby adopted.

So long as the Series 2004 Bonds are Outstanding, the Issuer covenants and agrees to fix and collect rates, fees and other charges for the use of the System and to take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Bond Legislation and in compliance with the Loan Agreement. In the event the schedule of rates, fees and charges initially established for the System in connection with the Series 2004 Bonds shall prove to be insufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreement,

the Issuer hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates, fees and charges and take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreement.

Section 7.05. Sale of the System. So long as the Prior Bonds are Outstanding, the System may not be sold, transferred, mortgaged, leased or otherwise disposed of, except in accordance with the terms of the Prior Resolutions. Additionally, so long as the Series 2004 Bonds are Outstanding and except as otherwise required by law or with the written consent of the Council, the Authority and the Government, the System may not be sold, mortgaged, leased or otherwise disposed of, except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to fully pay all the Bonds Outstanding in accordance with Article X hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Series 2004 Bonds, be remitted to the respective Sinking Funds and applied to the payment of principal of and interest, if any, on the Series 2004 Bonds. Any balance remaining after the payment of the Series 2004 Bonds and interest, if any, thereon shall be remitted to the Issuer unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of $10,000, the Issuer shall, by resolution duly adopted, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Depreciation Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of $10,000 but not in excess of $50,000, the Issuer shall first, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property in accordance with the laws of the State. The proceeds of any such sale shall be deposited in the Depreciation Fund. The payment of such proceeds into the Depreciation Fund shall not reduce the amount required to be paid into said fund by other provisions of this Bond Legislation. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of $50,000 and insufficient to pay all Bonds then Outstanding without the prior approval and consent in writing of the Registered Owners of the Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Registered Owners of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided in this Section 7.06 and Section 7.07 hereof, the Issuer shall not issue any obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Series 2004 Bonds. All obligations issued by the Issuer after the issuance of the Series 2004 Bonds and payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on, pledge and source of and security for payment from such revenues and in all other respects, to the Series 2004 Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts set forth herein have been made and are current at the time of the issuance of such subordinate obligations.

Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the lien of the Series 2004 Bonds, and the interest thereon, if any, upon any or all of the income and revenues of the System pledged for payment of the Series 2004 Bonds and the interest thereon, if any, in this Bond Legislation, or upon the System or any part thereof.

The Issuer shall give the Authority, the Council and the Government prior written notice of its issuance of any other obligations to be used for the System, payable from the revenues of the System or from any grants, or any other obligations related to the Project or the System.

Section 7.07. Parity Bonds. So long as the Prior Bonds are Outstanding, the limitations on the issuance of parity obligations set forth in the Prior Resolutions shall be applicable. In addition, no Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Series 2004 Bonds pursuant to this Bond Legislation, except with the prior written consent of the Authority, the Council and the Government under the conditions and in the manner herein provided.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 2004 Bonds.

No such Parity Bonds shall be issued except for the purposes of financing the costs of the design, acquisition or construction of extensions and improvements to the System or refunding any Outstanding Bonds, or both such purposes.

So long as the Series 2004 B Bonds are Outstanding, no Parity Bonds shall be issued at any time, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants, reciting the conclusion that the Net Revenues for the Fiscal Year following the year in which such Parity Bonds are to be issued shall be at least 120% of the average annual debt service requirements on the following:

(1) The Bonds then Outstanding;

(2) Any Parity Bonds theretofore issued pursuant to the provisions contained in this Resolution then Outstanding; and

(3) The Parity Bonds then proposed to be issued.

The foregoing limitation may be waived or modified by the written consent of the Registered Owners of the Series 2004 B Bonds, representing 75% of the then-outstanding principal indebtedness. In the event the foregoing limitation is waived or when the Series 2004 B Bonds are no longer Outstanding, the following parity requirement shall be met:

No Parity Bonds shall be issued at any time, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by such Parity Bonds, if any, shall not be less than 115% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest, if any, on the following:

(1) The Bonds then Outstanding;

(2) Any Parity Bonds theretofore issued pursuant to the provisions contained in this Resolution then Outstanding; and

(3) The Parity Bonds then proposed to be issued.

The "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from (a) the improvements to be financed by such Parity Bonds and (b) any increase in rates adopted by the Issuer and approved by the PSC, the period for appeal of which has expired prior to the date of issuance of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Independent Certified Public Accountants, which shall be filed in the office of the Secretary prior to the issuance of such Parity Bonds.

The Net Revenues actually derived from the System during the 12-consecutive-month period hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the Independent Certified Public Accountants, on account of increased rates, rentals, fees and charges for the System adopted by the Issuer, the period for appeal of which has expired prior to issuance of such Parity Bonds.

All covenants and other provisions of this Bond Legislation (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the

Registered Owners of the Bonds and the Registered Owners of any Parity Bonds subsequently issued from time to time within the limitations of and in compliance with this section. Bonds issued on a parity, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the revenues of the System and their source of and security for payment from said revenues, without preference of any Bond of one series over any other Bond of the same series. The Issuer shall comply fully with all the increased payments into the various funds and accounts created in this Bond Legislation required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Bond Legislation.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on revenues of the System is subject to the prior and superior liens of the outstanding Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Series 2004 Bonds.

No Parity Bonds shall be issued any time, however, unless all the payments into the respective funds and accounts provided for in this Bond Legislation with respect to the Bonds then Outstanding, and any other payments provided for in this Bond Legislation, shall have been made in full as required to the date of delivery of such Parity Bonds, and the Issuer shall then be in full compliance with all the covenants, agreements and terms of this Bond Legislation.

Section 7.08. Books; Records and Audit. The Issuer shall keep complete and accurate records of the cost of acquiring the Project site and the costs of acquiring, constructing and installing the Project. The Issuer shall permit the Authority, the Council and the Government, or their agents and representatives, to inspect all books, documents, papers and records relating to the Project and the System at all reasonable times for the purpose of audit and examination. The Issuer shall submit to the Authority, the Council and the Government such documents and information as they may reasonably require in connection with the acquisition, construction and installation of the Project, the operation and maintenance of the System and the administration of the loan or any State and federal grants or other sources of financing for the Project.

The Issuer shall permit the Authority, the Council and the Government, or their agents and representatives, to inspect all records pertaining to the operation and maintenance of the System at all reasonable times following completion of construction of the Project and commencement of operation thereof, or, if the Project is an improvement to an existing system, at any reasonable time following commencement of construction.

The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Registered Owner of the Bonds issued pursuant to this Bond Legislation shall have the right at all reasonable times to inspect the System and all parts thereof and all records, accounts and data of the Issuer relating thereto.

The accounting system for the System shall follow current generally accepted accounting principles and safeguards to the extent allowed and as prescribed by the PSC. Separate control accounting records shall be maintained by the Issuer. Subsidiary records as may be required shall be kept in the manner and on the forms, books and other bookkeeping records as prescribed by the Governing Body. The Governing Body shall prescribe and institute the manner by which subsidiary records of the accounting system which may be installed remote from the direct supervision of the Governing Body shall be reported to such agent of the Issuer as the Governing Body shall direct.

The Issuer shall file with the Council, the Authority, the Government, or any other original purchaser of the Series 2004 Bonds, and shall mail in each year to any Registered Owner of the Series 2004 Bonds, requesting the same, an annual report containing the following:

(A) A statement of Gross Revenues, Operating Expenses, Net Revenues and Surplus Revenues derived from and relating to the System.

(B) A balance sheet statement showing all deposits in all the funds and accounts provided for in this Bond Legislation, and the status of all said funds and accounts.

(C) The amount of any Bonds, notes or other obligations outstanding.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants in compliance with the applicable OMB Circular, or any successor thereto, and the Single Audit Act, or any successor thereto, to the extent legally required, and shall mail upon request, and make available generally, the report of the Independent Certified Public Accountants, or a summary thereof, to any Registered Owner of the Series 2004 Bonds, and shall submit said report to the Council, the Authority and the Government, or any other original purchaser of the Series 2004 Bonds. Such audit report submitted to the Authority, the Council and the Government shall include a statement that the Issuer is in compliance with the terms and provisions of the Act, the Loan Agreement and this Bond Legislation and that the revenues of the System are adequate to meet the Operating Expenses and debt service and reserve requirements.

Subject to the terms, conditions and provisions of the Loan Agreement and the Act, the Issuer has acquired, or shall do all things necessary to acquire, the proposed site of the Project and shall do, is doing or has done all things necessary to construct the Project in accordance with the plans, specifications and designs prepared by the Consulting Engineers. All real estate and interests in real estate and all personal property constituting the Project and the Project site heretofore or hereafter acquired shall at all times be and remain the property of the Issuer.

The Issuer shall permit the Authority, the Council and the Government, or their agents and representatives, to enter and inspect the Project site and Project facilities at all reasonable times. Prior to, during and after completion of construction and commencement of operation of the Project, the Issuer shall also provide the Authority, the Council and the Government, or their agents and

representatives, with access to the System site and System facilities as may be reasonably necessary to accomplish all of the powers and rights of the Authority, the Council and the Government with respect to the System pursuant to the Act.

Section 7.09. Rates. Prior to the issuance of the Series 2004 Bonds, equitable rates or charges for the use of and service rendered by the System shall be established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2004 Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2004 Bonds, including the Prior Bonds; provided that, in the event that amounts equal to or in excess of the reserve requirements are on deposit respectively in the Reserve Accounts for the Series 2004 Bonds and the reserve accounts for obligations on a parity with the Series 2004 Bonds, including the Prior Bonds, are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2004 Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2004 Bonds, including the Prior Bonds. In any event, the Issuer shall not reduce the rates or charges for services described in Section 7.04.

Section 7.10. Operating Budget and Monthly Financial Report. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Authority, the Council and the Government within 30 days of adoption thereof. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by a professional engineer, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of a professional engineer that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Authority, the Council and the Government and to any Registered Owner of the Series 2004 Bonds, within 30 days of adoption

thereof, and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Authority, the Council and the Government and to any Registered Owner of the Series 2004 Bonds, or anyone acting for and on behalf of such Registered Owner.

Commencing on the date contracts are executed for the acquisition and construction of the Project and for two years following the completion of the Project, the Issuer shall each month complete a "Monthly Financial Report," a form of which is attached to the Loan Agreement, and forward a copy of such report to the Authority and the Council by the 10th day of each month.

Section 7.11. Engineering Services and Operating Personnel. The Issuer will obtain a certificate of the Consulting Engineers in the form attached to the Loan Agreement, certifying, among other things, that the Project has been or will be constructed in accordance with the approved plans, specifications and designs as submitted to the Authority, the Council and the Government, the Project is adequate for the purposes for which it was designed, the funding plan as submitted to the Authority, the Council and the Government is sufficient to pay the costs of acquisition and construction of the Project, and all permits required by federal and state laws for construction of the Project have been obtained.

The Issuer shall provide and maintain competent and adequate engineering services satisfactory to the Authority, the Council and the Government covering the supervision and inspection of the development and construction of the Project, and bearing the responsibility of assuring that construction conforms to the plans, specifications and designs prepared by the Consulting Engineers, which have been approved by all necessary governmental bodies. Such engineer shall certify to the Authority, the Council, the Government and the Issuer at the completion of construction that construction of the Project is in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies.

The Issuer shall employ qualified operating personnel properly certified by the State to operate the System during the entire term of the Loan Agreement.

Section 7.12. No Competing Franchise. To the extent legally allowable, the Issuer will not grant or cause, consent to or allow the granting of, any franchise or permit to any person, firm, corporation, body, agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 7.13. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the PSC and other laws of the State of West Virginia.

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 20 days after the same shall become due and payable, the user of the services and facilities shall be delinquent until such time as all such rates and charges are fully paid. To the extent authorized by the laws of the State and the rules and regulations of the PSC, rates, rentals and other charges, if not paid, when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the PSC, discontinue and shut off the services of the System to all users of the services of the System delinquent in payment of charges for the services of the System and will not restore such services until all delinquent charges for the services of the System, plus reasonable interest and penalty charges for the restoration of service, have been fully paid and shall take all further actions to enforce collections to the maximum extent permitted by law.

Section 7.14. No Free Services. Except as required by law, the Issuer will not render or cause to be rendered any free services of any nature by the System, nor will any preferential rates be established for users of the same class; and in the event the Issuer, or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or themselves of the facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.15. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as the Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

(1) FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the actual cost thereof. In time of war the Issuer will also carry and maintain insurance to the extent available against the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Depreciation Fund and used only for the repairs and restoration of the damaged or destroyed properties or for the other purposes provided herein for the Depreciation Fund. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) to protect the interests of the Issuer, the Authority, the prime contractor and all subcontractors as their respective interests may appear, in accordance with the Loan Agreement, during construction of the Project on a 100% basis

(completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Issuer, the contractors and subcontractors, as their interests may appear.

(2) PUBLIC LIABILITY INSURANCE, with limits of not less than $1,000,000 per occurrence to protect the Issuer from claims for bodily injury and/or death and not less than $500,000 per occurrence from claims for damage to property of others which may arise from the operation of the System, and insurance with the same limits to protect the Issuer from claims arising out of operation or ownership of motor vehicles of or for the System.

(3) WORKER'S COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT BONDS, such bonds to be in the amounts of 100% of the construction contract and to be required of each contractor contracting directly with the Issuer, and such payment bonds will be filed with the Clerk of The County Commission of the County in which such work is to be performed prior to commencement of construction of the Project in compliance with Chapter 38, Article 2, Section 39 of the Code of West Virginia, 1931, as amended.

(4) FLOOD INSURANCE, if the facilities of the System are or will be located in designated special flood or mudslide-prone areas and to the extent available at reasonable cost to the Issuer.

(5) BUSINESS INTERRUPTION INSURANCE, to the extent available at reasonable cost to the Issuer.

(6) FIDELITY BONDS will be provided as to every officer, member and employee of the Issuer or the Governing Body having custody of the revenues or of any other funds of the System, in an amount at least equal to the total funds in the custody of any such person at any one time.

B. The Issuer shall require all contractors engaged in the construction of the Project to furnish a performance bond and a payment bond, each in an amount equal to 100% of the contract price of the portion of the Project covered by the particular contract as security for the faithful performance of such contract. The Issuer shall verify such bonds prior to commencement of construction.

The Issuer shall also require all contractors engaged in the construction of the Project to carry such worker's compensation coverage for all employees working on the Project and public liability insurance, vehicular liability insurance and property damage insurance in amounts adequate for such purposes and as is customarily carried with respect to works and properties similar to the Project; provided that the amounts and terms of such coverage are satisfactory to the Authority, the Council and the Government. In the event the Loan Agreement so requires, such insurance shall be made payable to the order of the Authority, the Issuer, the prime contractor and all subcontractors, as

their interests may appear. The Issuer shall verify such insurance prior to commencement of construction.

Section 7.16. Connections. To the extent permitted by the laws of the State and rules and regulations of the PSC, the Issuer shall require every owner, tenant or occupant of any house, dwelling or building intended to be served by the System to connect thereto.

Section 7.17. Completion and Operation of Project; Permits and Orders. The Issuer shall complete the Project as promptly as possible and operate and maintain the System as a revenue-producing utility in good condition and in compliance with all federal and State requirements and standards.

The Issuer has obtained all permits required by State and federal laws for the acquisition and construction of the Project, all orders and approvals from the PSC and the Council necessary for the acquisition and construction of the Project and the operation of the System and all approvals for issuance of the Series 2004 Bonds required by State law, with all requisite appeal periods having expired without successful appeal.

Section 7.18. [Reserved]

Section 7.19. Statutory Mortgage Lien. For the further protection of the Registered Owner of the Series 2004 Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Series 2004 Bonds; provided however, that the statutory mortgage lien of the Series 2004 Bonds shall be on a parity with the statutory mortgage lien of the Prior Bonds.

Section 7.20. Compliance with Letter of Conditions, Loan Agreement and Law. The Issuer shall perform, satisfy and comply with all the terms and conditions of the Letter of Conditions, the Loan Agreement and the Act. Notwithstanding anything herein to the contrary, the Issuer shall provide the Council with copies of all documents submitted to the Authority.

The Issuer shall also comply with all applicable laws, rules and regulations issued by the Authority, the Council, the Government or other State, federal or local bodies in regard to the acquisition and construction of the Project and the operation, maintenance and use of the System.

Section 7.21. Securities Laws Compliance. The Issuer will provide the Authority, in a timely manner, with any and all information that may be requested of it (including its annual audit report, financial statements, related information and notices of changes in usage and customer base) so that the Authority may comply with the provisions of SEC Rule 15c2-12 (17 CFR Part 240).

Section 7.22. Contracts; Public Releases. A. The Issuer shall, simultaneously with the delivery of the Series 2004 Bonds or immediately thereafter, enter into written contracts for the immediate acquisition or construction of the Project.

B. The Issuer shall submit all proposed change orders to the Council and the Government for written approval. The Issuer shall obtain the written approval of the Council and the Government before expending any proceeds of the Series 2004 Bonds held in "contingency" as set forth in the schedules attached to the certificate of the Consulting Engineer. The Issuer shall also obtain the written approval of the Council and the Government before expending any proceeds of the Series 2004 Bonds made available due to bid or construction or project underruns.

C. The Issuer shall list the funding provided by the Council, the Authority and the Government in any press release, publication, program bulletin, sign or other public communication that references the Project, including but not limited to any program document distributed in conjunction with any ground breaking or dedication of the Project.

ARTICLE VIII

INVESTMENT OF FUNDS

Section 8.01. Investment of Funds. Any moneys held as a part of the funds and accounts created by this Bond Legislation other than the Revenue Fund, shall be invested and reinvested by the Commission, the Depository Bank, or such other bank or national banking association holding such fund or account, as the case may be, at the written direction of the Issuer in any Qualified Investments to the fullest extent possible under applicable laws, this Bond Legislation, the need for such moneys for the purposes set forth herein and the specific restrictions and provisions set forth in this Section 8.01.

Any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The investments held for any fund or account shall be valued at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including the value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held in the "Consolidated Fund." The Commission shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. The Depository Bank, or such other bank or national banking association, as the case may be, may make any and all investments permitted by this section through its own bond department and shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

The Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once each year, or more often as reasonably requested by the Issuer, a summary of such funds, accounts and investment earnings. The Issuer shall retain all such records and any additional records with respect to such funds, accounts and investment earnings so long as any of the Series 2004 Bonds are Outstanding.

Section 8.02. Certificate as to Use of Proceeds. The Issuer shall deliver a certificate as to use of proceeds or other similar certificate to be prepared by nationally recognized bond counsel relating to restrictions on the use of proceeds of the Series 2004 Bonds as a condition to issuance of the Series 2004 Bonds. In addition, the Issuer covenants (i) to comply with the Code and all Regulations from time to time in effect and applicable to the Series 2004 Bonds as may be necessary in order to maintain the status of the Series 2004 Bonds as governmental bonds; (ii) that it shall not take, or permit or suffer to be taken, any action with respect to the Issuer's use of the proceeds of the Series 2004 Bonds which would cause any bonds, the interest on which is exempt from federal income taxation under Section 103(a) of the Code, issued by the Authority or the Council, as the case may be, from which the proceeds of the Series 2004 Bonds are derived, to lose their status as tax-exempt bonds; and (iii) to take such action, or refrain from taking such action, as shall be deemed necessary by the Issuer, or requested by the Authority or the Council to ensure compliance with the covenants and agreements set forth in this Section, regardless of whether such actions may be contrary to any of the provisions of this Resolution.

The Issuer shall annually furnish to the Authority information with respect to the Issuer's use of the proceeds of the Series 2004 Bonds and any additional information requested by the Authority.

ARTICLE IX

DEFAULT AND REMEDIES

Section 9.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2004 Bonds:

(1) If default occurs in the due and punctual payment of the principal of or interest, if any, on any series of the Series 2004 Bonds; or

(2) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Series 2004 Bonds set forth in this Bond Legislation, any supplemental resolution or in the Series 2004 Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, the Registrar, the Paying Agent or a Registered Owner of a Bond; or

(3) If the Issuer files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America; or

(4) If default occurs under the Prior Bonds or the Prior Resolutions.

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of the Series 2004 Bonds may exercise any available remedy and

bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Bonds, or the rights of such Registered Owners; provided that, all rights and remedies of the Registered Owners of the Series 2004 Bonds shall be on a parity with those of the Registered Owners of the Prior Bonds.

Section 9.03. Appointment of Receiver. Any Registered Owner of the Series 2004 Bonds may, by proper legal action, compel the performance of the duties of the Issuer under the Bond Legislation and the Act, including, the completion of the Project, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default with respect to such Bonds, any Registered Owner of a Bond shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System or to complete the acquisition and construction of the Project on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bonds and interest and the deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Bond Legislation and the Act.

The receiver so appointed shall forthwith, directly or by his or her or its agents and attorneys, enter into and upon and take possession of all facilities of the System and shall hold, operate and maintain, manage and control the System, and each and every part thereof, and in the name of the Issuer exercise all the rights and powers of the Issuer with respect to the System as the Issuer itself might exercise.

Whenever all that is due upon the Bonds and interest thereon and under any covenants of this Bond Legislation for reserve, sinking or other funds and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the revenues of the System shall have been paid and made good, and all defaults under the provisions of this Bond Legislation shall have been cured and made good, possession of the System shall be surrendered to the Issuer upon the entry of an order of the court to that effect. Upon any subsequent default, any Registered Owner of any Bonds shall have the same right to secure the further appointment of a receiver upon any such subsequent default.

Such receiver, in the performance of the powers hereinabove conferred upon him or her or it, shall be under the direction and supervision of the court making such appointment, shall at all times be subject to the orders and decrees of such court and may be removed thereby, and a successor receiver may be appointed in the discretion of such court. Nothing herein contained shall limit or restrict the jurisdiction of such court to enter such other and further orders and decrees as

such court may deem necessary or appropriate for the exercise by the receiver of any function not specifically set forth herein.

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and Registered Owners of the Bonds. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the completion of the Project and the possession, operation and maintenance of the System for the sole purpose of the protection of both the Issuer and Registered Owners of such Bonds and the curing and making good of any Event of Default with respect thereto under the provisions of this Bond Legislation, and the title to and ownership of the System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

ARTICLE X

PAYMENT OF BONDS

Section 10.01. Payment of Series 2004 A Bonds. If the Issuer shall pay or there shall otherwise be paid to the Registered Owners of the Series 2004 A Bonds, the principal of and interest, if any, due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then the pledge of Net Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 2004 A Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Section 10.02. Payment of Series 2004 B Bonds. If the Issuer shall pay or there shall otherwise be paid to the Registered Owners of the Series 2004 B Bonds, the principal of and interest, if any, due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then the pledge of Net Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 2004 B Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation. Prior to issuance of the Series 2004 Bonds, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 2004 Bonds, no material modification or amendment of this Resolution, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the rights of Registered Owners of the Series 2004 Bonds shall be made without the consent in writing of the Registered Owners of the Series 2004 Bonds so affected

and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest, if any, out of the funds herein pledged therefor without the consent of the Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds, required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Bond Legislation may be amended without the consent of any Registered Owner as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the exclusion of interest, if any, on the Series 2004 Bonds from gross income of the Registered Owners thereof.

Section 11.02. Bond Legislation Constitutes Contract. The provisions of the Bond Legislation shall constitute a contract between the Issuer and the Registered Owners of the Series 2004 Bonds, and no change, variation or alteration of any kind of the provisions of the Bond Legislation shall be made in any manner, except as in this Bond Legislation provided.

Section 11.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Resolution should be held invalid by any court of competent jurisdiction, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution, the Supplemental Resolution, or the Series 2004 Bonds.

Section 11.04. Headings, Etc. The headings and catchlines of the articles, sections and subsections hereof are for convenience of reference only, and shall not affect in any way the meaning or interpretation of any provision hereof.

Section 11.05. Conflicting Provisions Repealed; Prior Resolutions. Except for the Prior Resolutions, all orders or resolutions, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed; provided that, in the event of any conflict between this Resolution and the Prior Resolutions, the Prior Resolutions shall control (unless less restrictive), so long as the Prior Bonds are Outstanding.

Section 11.06. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Resolution do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Chairperson, Secretary and members of the Governing Body were at all times when any actions in connection with this Resolution occurred and are duly in office and duly qualified for such office.

Section 11.07. Public Notice of Proposed Financing. Prior to making formal application to the PSC for a certificate of public convenience and necessity and adoption of this Resolution, the Secretary shall have caused to be published in a newspaper of general circulation in each municipality in Clay-Roane Public Service District and within the boundaries of the Issuer, a Class II legal advertisement stating:

(a) The maximum amount of the Series 2004 Bonds to be issued;

(b) The maximum interest rate and terms of the Series 2004 Bonds authorized hereby;

(c) The public service properties to be acquired or constructed and the cost of the same;

(d) The maximum anticipated rates which will be charged by the Issuer; and

(e) The date that the formal application for a certificate of public convenience and necessity is to be filed with the PSC.

Section 11.08. Effective Date. This Resolution shall take effect immediately upon adoption.

Adopted this 14th day of October, 2004.

Melissa Postelwait
Chairperson

David Sarbazan
Member

Gary D. Whaling
Member

Member

Susan Beard
Member

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of CLAY-ROANE PUBLIC SERVICE DISTRICT on the 14th day of October, 2004.

Dated this 14 day of Oct, 2004.

[SEAL]

Crystal McKinney
Secretary

CLAY-ROANE PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS,
SERIES 2004 A (WEST VIRGINIA INFRASTRUCTURE FUND) AND
SERIES 2004 B (UNITED STATES DEPARTMENT OF AGRICULTURE)

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO THE PRINCIPAL AMOUNT, DATE, MATURITY DATE, INTEREST RATE, PAYMENT SCHEDULE, SALE PRICE AND OTHER TERMS OF THE CLAY-ROANE PUBLIC SERVICE DISTRICT WATER REVENUE BONDS, SERIES 2004 A (WEST VIRGINIA INFRASTRUCTURE FUND) AND SERIES 2004 B (UNITED STATES DEPARTMENT OF AGRICULTURE); AUTHORIZING AND APPROVING THE SALE AND DELIVERY OF THE SERIES 2004 A BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY AND THE SERIES 2004 B BONDS TO THE UNITED STATES DEPARTMENT OF AGRICULTURE; APPROVING AND RATIFYING THE LOAN AGREEMENT WITH RESPECT TO THE SERIES 2004 A BONDS; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Public Service Board (the "Governing Body") of Clay-Roane Public Service District (the "Issuer") has duly and officially adopted a Bond Resolution on October 14, 2004 (the "Resolution"), entitled:

RESOLUTION AUTHORIZING THE REFUNDING OF THE WATER REVENUE BOND, SERIES 2001 A (WEST VIRGINIA INFRASTRUCTURE FUND), OF CLAY-ROANE PUBLIC SERVICE DISTRICT AND THE ACQUISITION AND CONSTRUCTION OF CERTAIN IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC WATER FACILITIES OF CLAY-ROANE PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $1,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2004 A (WEST VIRGINIA INFRASTRUCTURE FUND), AND NOT MORE THAN $360,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2004 B (UNITED STATES DEPARTMENT OF AGRICULTURE); PROVIDING FOR

THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING LOAN AGREEMENTS RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, the capitalized terms used herein and not otherwise defined herein shall have the same meaning set forth in the Resolution when used herein;

WHEREAS, the Resolution provides for the issuance of the Water Revenue Bonds, Series 2004 A (West Virginia Infrastructure Fund) and Series 2004 B (United States Department of Agriculture), of the Issuer, in the respective aggregate principal amounts not to exceed $1,000,000 and $360,000 (collectively, the "Bonds" and individually, the "Series 2004 A Bonds" and the "Series 2004 B Bonds"), and has authorized the execution and delivery of a loan agreement relating to the Series 2004 A Bonds, including all schedules and exhibits attached thereto (collectively, the "Loan Agreement"), by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), all in accordance with Chapter 16, Article 13A and Chapter 31, Article 15A of the Code of West Virginia, 1931, as amended (collectively, the "Act"); and in the Resolution it is provided that the exact principal amount, date, maturity date, interest rate, payment schedule, sale price and other terms of the Bonds should be established by a supplemental resolution, and that other matters relating to the Bonds be therein provided for;

WHEREAS, the Loan Agreement has been presented to the Issuer at this meeting;

WHEREAS, the Series 2004 A Bonds are proposed to be purchased by the Authority pursuant to the Loan Agreement and the Series 2004 B Bonds are proposed to be purchased by the United States of America, United States Department of Agriculture, Rural Utilities Service (the "Government") pursuant to the Letter of Conditions; and

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted, that the Loan Agreement be approved and ratified, that the exact principal amount, date, maturity date, interest rate, payment schedule, sale price and other terms of the Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Bonds be herein provided for.

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF CLAY-ROANE PUBLIC SERVICE DISTRICT:

Section 1. Pursuant to the Resolution and the Act, this Supplemental Resolution is

adopted and there are hereby authorized and ordered to be issued the following bonds of the Issuer:

A. Water Revenue Bonds, Series 2004 A (West Virginia Infrastructure Fund), of the Issuer, originally represented by a single bond, numbered AR-1, in the original principal amount of $1,000,000. The Series 2004 A Bonds shall be dated the date of delivery, shall finally mature September 1, 2044, and shall bear no interest. The principal of the Series 2004 A Bonds shall be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing December 1, 2006, in the amounts set forth in the Schedule Y attached to the Loan Agreement and incorporated in and made a part of the Series 2004 A Bonds. The Series 2004 A Bonds shall be subject to redemption upon the written consent of the Authority and the Council, and upon payment of the redemption premium, if any, and otherwise in compliance with the Loan Agreement, so long as the Authority shall be the Registered Owner of the Series 2004 A Bonds.

B. Water Revenue Bonds, Series 2004 B (United States Department of Agriculture), of the Issuer, originally represented by a single bond, numbered BR-1, in the original principal amount of $360,000. The Series 2004 B Bonds shall be dated the date of delivery, shall mature forty years from the date thereof, and the principal amount advanced under the Series 2004 B Bonds shall bear interest at the rate of 4.5% per annum. Monthly installments of interest only on the amounts advanced under the Series 2004 B Bonds are payable 30 days following the date of delivery of the Series 2004 B Bonds and on the corresponding day of each month thereafter for the first 24 months after the date of delivery of the Series 2004 B Bonds, and thereafter, monthly installments of principal of and interest on the Series 2004 B Bonds, in the aggregate amount of $1,653.00, are payable on the corresponding day of each month, except that the final installment on the Series 2004 B Bonds shall be paid at the end of 40 years from the date of the Series 2004 B Bonds in the sum of the unpaid principal and interest due on the date thereof. The Series 2004 B Bonds are subject to prepayment as set forth in the Resolution and the Series 2004 B Bonds. All principal and interest payments on the Series 2004 B Bonds will be paid by the Issuer directly to the order of the United States of America at its National Finance Office, 1520 Market Street, St. Louis, Missouri 63103.

Section 2. All other provisions relating to the Bonds and the text of the Bonds shall be in substantially the form provided in the Resolution.

Section 3. The Issuer hereby ratifies, approves and accepts the Loan Agreement, including all schedules and exhibits attached thereto, a copy of which is incorporated herein by reference, and the execution and delivery of the Loan Agreement by the Chairperson and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, approved and directed. The Issuer hereby affirms all covenants and representations made in the Loan Agreement and in the applications to the Council and the Authority. The Issuer hereby ratifies, approves and accepts the Letter of Conditions, and all amendments thereto, and the performance of the obligations contained therein, on behalf of the Issuer, is hereby authorized, approved and directed. The price of the Bonds shall be 100% of par value, there being no interest accrued thereon, provided that the proceeds of the Bonds shall be advanced from time to time as requisitioned by the Issuer.

Section 4. The Issuer hereby appoints and designates Clay County Bank, Clay, West Virginia, to serve as Registrar (the "Registrar") for the Series 2004 A Bonds under the Resolution and approves and accepts the Registrar's Agreement to be dated the date of delivery of the Bonds, by and between the Issuer and the Registrar, and the execution and delivery of the Registrar's Agreement by the Chairperson, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, directed and approved.

Section 5. The Issuer hereby appoints and designates the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Commission"), to serve as Paying Agent for the Series 2004 A Bonds under the Resolution.

Section 6. The Issuer hereby appoints and designates Clay County Bank, Clay, West Virginia, to serve as Depository Bank for the Revenue Fund, the Depreciation Fund and the Series 2004 Bonds Construction Trust Fund.

Section 7. Series 2004 A Bonds proceeds in the amount of $-0- shall be deposited in the Series 2004 A Bonds Sinking Fund as capitalized interest.

Section 8. Series 2004 A Bonds proceeds in the amount of $-0- shall be deposited in the Series 2004 A Bonds Reserve Account.

Section 9. Series 2004 A Bonds proceeds in the amount of $295,000 shall be paid to the Commission to pay in full the entire outstanding principal of and any accrued interest and administrative fees on the Series 2001 A Bond.

Section 10. Series 2004 B Bonds proceeds in the amount of $-0- shall be deposited in the Series 2004 B Bonds Sinking Fund as capitalized interest.

Section 11. Series 2004 B Bonds proceeds in the amount of $-0- shall be deposited in the Series 2004 B Bonds Reserve Account.

Section 12. The remaining proceeds of the Bonds, as advanced from time to time, shall be deposited in or credited to the Series 2004 Bonds Construction Trust Fund, as received by the Issuer for payment of costs of the Project, including costs of issuance of the Bonds.

Section 13. The Chairperson and Secretary are hereby authorized and directed to execute and deliver such other documents and certificates required or desirable in connection with the Bonds hereby and by the Resolution approved and provided for, to the end that the Series 2004 A Bonds may be delivered to the Authority pursuant to the Loan Agreement on November 12, 2004, and the Series 2004 B Bonds may be delivered to the Government pursuant to the Letter of Conditions on November 12, 2004.

Section 14. The acquisition and construction of the Project and the financing thereof in part with proceeds of the Bonds are in the public interest, serve a public purpose of the Issuer and

will promote the health, welfare and safety of the residents of the Issuer.

Section 15. The Issuer hereby determines to invest all moneys in the funds and accounts established by the Resolution held by the Depository Bank until expended, in money market accounts secured by a pledge of Government Obligations, and therefore, the Issuer hereby directs the Depository Bank to invest all moneys in such money market accounts until further directed in writing by the Issuer. Moneys in the Sinking Funds and the Reserve Accounts for the Series 2004 Bonds shall be invested by the Commission in the West Virginia Consolidated Fund.

Section 16. The Issuer hereby approves and accepts all contracts relating to the financing, acquisition and construction of the Project and the Chairperson is hereby authorized and directed to execute and deliver all such contracts.

Section 17. The Issuer hereby approves the costs of issuance and authorizes the payment of the same.

Section 18. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 14th day of October, 2004.

Chairperson

Member

Member

Member

Member

CERTIFICATION

Certified as a true copy of a Supplemental Resolution duly adopted by the Public Service Board of Clay-Roane Public Service District on the 14th day of October, 2004.

Dated this 12th day of November, 2004.

[SEAL]

Crystal McKinney
Secretary

CLAY-ROANE PUBLIC SERVICE DISTRICT
BOARD OF DIRECTORS MONTHLY MEETING
October 14, 2004

Board Members Present:

Melissa Postelwait, Gary Whaling, and Glen Sutton. Dave Saulsgiver and Susan Beard were absent.

Staff and Visitors in attendance:

Jim Hildreth, John Hildreth, Jennifer Traub, Crystal McKinney, Thomas Coon, Larry White, Celia Coon, Andy Waddell, Rodney Cox, Brian Paxton, and O.K. Paxton.

1. **Call Meeting to Order**: Meeting called to order by Melissa Postelwait at 7:35 pm.
2. **Minutes of Previous Meeting:** Glen motions to approve minutes from Sept 9, Sept 30 and Oct 11 as presented. Gary seconds, motion carried.
3. **Financial report**
   a. **Approval of Bills**: Glen motions to approve bills as presented. The CI Thornburg bill will be paid in installations as the money comes in. Gary seconds, motion carried.

4. **Old Business**
   a. **Water project updates- Amma Project/ Award contracts/Bond resolutions:**

   Melissa announces that the contracts were awarded at the October 11th special meeting. Glen motions to consider and approved and have the chairman sign the bond resolution for the Amma project prepared by Goodwin and Goodwin series 2004 A, $1,000,000 water revenue bond, series 2004 B, $360,000 water revenue bond. Gary seconds, motion carried. Glen motions to consider and approved and have the chairman sign the supplemental bond resolution for the Amma project prepared by Goodwin and Goodwin. Gary second, motion carried. Melissa explains that USDA needs forms signed for the $370,550 grant adopted and signed. Gary motions to adopt, approve and have the chairman sign, RUS Bulletin 1780-12, "Water or Waste System Grant Agreement", Form RD 442-7, "Initial Operating Budget", Form RD 1940-1 "Request for Obligation of Funds", and Form RD 1942-46, "Letter of Intent to Meet Conditions". Glen seconds, motion carried. Jim Hildreth announced that loan closing would be on Nov 9 at 10 am and the contractors meeting would be Nov 9 at 11 am and the Chairman and secretary would need to be there. Brian and OK Paxton spoke on the right a way thru his property and request that his property be eliminated as a main line site. Jim spoke to OK Paxton and on how much it would cost the district now that we have went to bid to change his right a way again. Jim Hildreth stated that he had tried many different ways to help Mr. Paxton on the placement of the line and thought Mr. Paxton had finally agreed on this proposed placement. Mr. Paxton stated that he has now decided not to go that route. Celia Coon asked if this piece of property could be skipped all together. Melissa answered no due to customers on both sides of this property. Jim Hildreth stated that it was his opinion, there

was no other placement for this line, and it is cost effective and also reasonable for all involved. The board agreed with Jim Hildreth. Mr. Paxton was given the chance to sign this proposed right a way by Nov 9th or it would be taken to court for the easement. Mr. Paxton decided against signing the right a way. Brian and OK Paxton exit the meeting. Jim Hildreth presented an agreement from Smith, Cochran & Hicks to prepare the bond certification needed for the Amma Project. Rick Barnett of Teed and Associates wanted $9500.00 so that he could hire Smith, Cochran & Hicks to help him prepare the needed paperwork. This amount was unacceptable to the lenders. Rick had never prepared such documents before. Rick Barnett agreed to let Smith, Cochran and Hicks prepare the paperwork alone and for the amount of $3,000.00,which was in our contract budget range. Glen motions to accept and approve the contract with Smith, Cochran, and Hicks as the accounting firm to audit and sign the bond certificate. Gary seconds, motion carried. Jim Hildreth produced the resolution for Drawdown No. 1 for the approval and payment on invoices on the Amma Project for Nov 12, 2004. Glen motions to approve resolution approving all invoices. Gary seconds, motion carried. Jim presented an addendum to the engineering agreement he has with Clay Roane PSD. This agreement revises his representative services from $125,000.00 to $151,000.00. Glen motions to accept this new contract. Gary seconds, motion carried. Jim announced that everything looks like a go on the project and foresees no problems.

b. **Approval of Budget 2004/2005:** Glen motions to approve the corrected budget. Gary seconds, motion carried.
c. **PJ Construction-Update:** Melissa announced that Tom Whitter had received a letter from PJ's attorney and Tom Whitter was handling the situation.
d. **Precision Pump Invoice-** Crystal announced that with Larry White's help, we received $963.75 from the Roane Co. Commission towards this bill but would not receive that payment until invoice was paid in full. Crystal announced that Clay Co. Commission had turned us down on funding due to their financial situation. Melissa asked to be placed on the Clay Co Commissions agenda to ask again. Larry White suggests going to the governor's office to seek funding. Melissa stated she would make an appointment and Gary and Glen volunteered to go speak to him.

5. **New Business:**
   a. **IRS/Tom Whitter:** Melissa announced that the IRS has sent yet another paper stating that Procious PSD owes for another tax period. The board agrees to turn this over to Tom Whitter.
6. **Executive Session: Employee complaint/policy:** Gary motions to go into executive session after a 5 min break. Glen seconds, motion carried. Into exec session at 8:30pm. Out at 9:00 pm with lots of discussion but no decisions or motions made. Glen motions to subtract the $293.76 in wages paid to an employee, pay for only one meal ticket in the amount of $25.00, paid only one night at the hotel in the amount of $110.00 and pay for only 300 miles for the

mileage expense. Gary seconds, motion carried. Melissa stated that a new employee class policy would be prepared for the next meeting. Glen motions that Tom Coon is eligible for his one weeks vacation. Gary seconds, motion carried.

7. **Public Comments-** Jennifer Traub announces that the plant needed to have the inline turbidimeter install by Jan 1, due to the sanitary survey from State Health Dept. If this is not installed, we could be fined on a per day basis. The estimate for the turbidimeter without the needed computer is $3,473.00. We would also need a separate computer to chart the turbidimeter. The board asks Jennifer to find out if payments could be made to Hach for this. Larry White suggest that the employees but together a priority list for the board on all needed equipment to seek funding for.
8. **Adjournment-** Glen motions to adjourn at 9:15pm. Gary seconds, motion carried.

NOTICE TO RESIDENTS OF CLAY ROANE PUBLIC SERVICE DISTRICT AND OTHER PERSONS INTERESTED IN RESOLUTION FOR PROPOSED ISSUANCE OF $1,000,000 WATER REVENUE BOND, SERIES 2004 A (WEST VIRGINIA INFRASTRUCTURE FUND) AND $360,000 WATER REVENUE BOND SERIES 2004 B (UNITED STATES DEPARTMENT OF AGRICULTURE)

Pursuant to the provisions of West Virginia Code Chapter 6, Article 9A, Section 6, and in accordance with the provisions of West Virginia Code Chapter 16, Article 13A, as amended, you hereby notified that a regular meeting of the Public Service Board (the "Board") of the Clay Roane Public Service District (the "Public Service District") will be held on the 14th day of October, 2004, to consider for adoption a Resolution entitled "Resolution Authorizing the Acquisition and Construction of Certain Improvements and Extensions to the Existing Public Water Facilities of Clay-Roane Public Service District and the Financing of the Cost Thereof, Not Otherwise Provided, Through the Issuance by the District of Not More Than $1,000,000 in Aggregate Principal Amount of Water Revenue Bonds, Series 2004 A (West Virginia Infrastructure Fund), and Not More Than $360,000 in Aggregate Principal Amount of Water Revenue Bonds, Series 2004 B (United States Department of Agriculture); Providing for the Rights and Remedies of and Security for the Registered Owners of Such Bonds; Authorizing Execution and Delivery of all Documents Relating to the Issuance of Such Bonds, Approving, Ratifying and Confirming the Loan Agreement Relating To Such Bonds; Authorizing the Sale and Providing for the Terms and Provisions of Such Bonds and Adopting Other Provisions Relating Thereto" (the "Resolution"), to authorize the issuance of Water Revenue Bond, Series 2004 A (West Virginia Infrastructure Fund) and Water Revenue Bond, Series 2004 B (United States Department of Agriculture) (collectively, the "Bonds"), of the Public Service District in the amounts of $1,000,000 and $360,000, respectively. The Bonds will provide a portion of the funds to finance the cost of the acquisition, construction and extension of additions, betterments and improvements for the existing water system of the Public Service District, including the construction of new lines and other improvements within the Public Service District.

The entire amount of the principal of and interest on the Bonds will be paid solely and only from the revenues received from operation of the water system of the Public Service District to be amortized over a period of 40 years. The Resolution provides provisions with respect to the final interest rates which may be but cannot exceed 0% per annum as to the Series 2004 A Bond and 4.50% per annum as to the Series 2004 B Bond, which may be finally determined therein or by supplemental resolution.

A copy of the Resolution and a copy of the plans and specifications of the proposed project are available for examination by any interested person at the offices of the Clerks of the County Commissions of Clay and Roane Counties and at the District's office in Procious during regular office hours of such offices which are from 9:00 a.m. to 4:00 p.m., Monday through Friday.

The meeting will be held at 174 Main Street, Clay, West Virginia, on the 14th day of October, 2004 at 7:00 p.m., and any person or persons interested may appear before the Board and be heard as to whether or not the Resolution shall be put into effect. The Board will hear all suggestions, protests and objections to the Issuance of the Bonds.

Dated this 23rd day of September, 2004.

CLAY ROANE
PUBLIC SERVICE
DISTRICT
Clay and Roane
Counties, West Virginia

Melissa Postalwait,
Chairman
Gary Whaling,
Secretary/Treasurer

(13364T)

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INVOICE NBR	165575001

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ISSUE DATE	AD TYPE	PUB	DESCRIPTION / REFERENCE NBR PURCHASE ORDER #	AD NUMBER	AD SIZE / TOTAL RUN	RATE	GROSS AMOUNT	NET AMOUNT
10/02	LEG	SA	clay roane psd 165575001	0133641	1X1450 14.50	16.38	237.51	237.51
			TOTAL INVOICE AMOUNT					237.51

State of West Virginia, **AFFIDAVIT OF PUBLICATION**

I, Sandra Legg of

THE SATURDAY GAZETTE MAIL,
published in the city of Charleston, Kanawha County, West Virginia, do solemnly swear that the annexed notice of:
clay roane psd
was duly published in said paper(s) during the dates listed below, and was posted at the front door of the court house of said Kanawha County, West Virginia, on the 4TH day of OCTOBER 2004. Published during the following dates: 10/02/04-10/02/04
Subscribed and sworn to before me this 5 day of October.
Printers fee $ 237.51

OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
LYNN R. FIELDER
[illegible]
[illegible] 11, 2006

Lynn R Fielder
Notary Public of Kanawha County, West Virginia

REVISED NOTICE TO RESIDENTS OF
CLAY ROANE PUBLIC SERVICE DISTRICT
AND OTHER PERSONS INTERESTED IN RESOLUTION FOR PROPOSED
ISSUANCE OF $1,000,000 WATER REVENUE BOND, SERIES 2004 A
(WEST VIRGINIA INFRASTRUCTURE FUND) AND
$360,000 WATER REVENUE BOND SERIES 2004 B
(UNITED STATES DEPARTMENT OF AGRICULTURE)

Pursuant to the provisions of West Virginia Code Chapter 6, Article 9A, Section 6, and in accordance with the provisions of West Virginia Code Chapter 16, Article 13A, as amended, you hereby notified that a regular meeting of the Public Service Board (the "Board") of the Clay Roane Public Service District (the "Public Service District") will be held on the 14th day of October, 2004, to consider for adoption a Resolution entitled "Resolution Authorizing the Acquisition and Construction of Certain Improvements and Extensions to the Existing Public Water Facilities of Clay-Roane Public Service District and the Financing of the Cost Thereof, Not Otherwise Provided, Through the Issuance by the District of Not More Than $1,000,000 in Aggregate Principal Amount of Water Revenue Bonds, Series 2004 A (West Virginia Infrastructure Fund), and Not More Than $360,000 in Aggregate Principal Amount of Water Revenue Bonds, Series 2004 B (United States Department of Agriculture); Providing for the Rights and Remedies of and Security for the Registered Owners of Such Bonds; Authorizing Execution and Delivery of all Documents Relating to the Issuance of Such Bonds; Approving, Ratifying and Confirming the Loan Agreement Relating To Such Bonds; Authorizing the Sale and Providing for the Terms and Provisions of Such Bonds and Adopting Other Provisions Relating Thereto" (the "Resolution"), to authorize the issuance of Water Revenue Bond, Series 2004 A (West Virginia Infrastructure Fund) and Water Revenue Bond, Series 2004 B (United States Department of Agriculture) (collectively, the "Bonds"), of the Public Service District in the amounts of $1,000,000 and $360,000, respectively. The Bonds will provide a portion of the funds to finance the cost of the acquisition, construction and extension of additions, betterments and improvements for the existing water system of the Public Service District including the construction of new lines and other improvements within the Public Service District.

The entire amount of the principal of and interest on the Bonds will be paid solely and only from the revenues received from operation of the water system of the Public Service District to be amortized over a period of 40 years. The Resolution provides provisions with respect to the final interest rates which may be but cannot exceed 0% per annum as to the Series 2004 A Bond and 4.50% per annum as to the Series 2004 B Bond, which may be finally determined therein or by supplemental resolution.

A copy of the Resolution and a copy of the plans and specifications of the proposed project are available for examination by any interested person at the offices of the Clerks of the County Commissions of Clay and Roane Counties and at the District's office in Procious during regular office hours of such offices which are from 9:00 a.m. to 4:00 p.m., Monday through Friday.

The meeting will be held at 174 Main Street, Clay, West Virginia, on the 14th day of October, 2004 at 7:00 p.m., and any person or persons interested may appear before the Board and be heard as to whether or not the Resolution shall be put into effect. The Board will hear all suggestions, protests and objections to the issuance of the Bonds.

Dated this 23rd day of September, 2004.

CLAY ROANE PUBLIC SERVICE DISTRICT
Clay and Roane Counties, West Virginia

Melissa Postalwait, Chairman

Gary Whaling, Secretary/Treasurer

PUBLISH AS CLASS I NOTICE ON OCTOBER 4, 2004

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CLAY-ROANE PUBLIC SERVICE DISTRICT
WATER REVENUE BOND, SERIES 2004 A
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. AR-1 $1,000,000

KNOW ALL MEN BY THESE PRESENTS: That CLAY-ROANE PUBLIC SERVICE DISTRICT, a public service district, public corporation and political subdivision of the State of West Virginia in Clay and Roane Counties of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY (the "Authority") or registered assigns, the sum of ONE MILLION DOLLARS ($1,000,000), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing December 1, 2006, as set forth on the "Debt Service Schedule" attached as EXHIBIT B hereto and incorporated herein by reference.

SPECIMEN

This Bond shall bear no interest. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent").

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Infrastructure and Jobs Development Council (the "Council"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and between the Issuer and the Authority, on behalf of the Council, dated November 12, 2004.

SPECIMEN

This Bond is issued (i) to pay in full the entire outstanding principal of and any interest and administrative fees on the Issuer's Water Revenue Bond, Series 2001 A (West Virginia Infrastructure Fund) (the "Series 2001 A Bond); (ii) to pay a portion of the costs of acquisition and construction of certain improvements and extensions to the existing public water facilities of the Issuer (the "Project"); and (iii) to pay certain costs of issuance of this Bond and related costs. The existing public water facilities of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A and Chapter 31, Article 15A of the Code of West Virginia, 1931, as amended (collectively, the "Act"), a Bond Resolution duly adopted by the Issuer on October 14, 2004, and a Supplemental Resolution duly adopted by the Issuer on October 14, 2004 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds

under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for this Bond under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL OTHER RESPECTS, WITH THE ISSUER'S (1) WATER REVENUE BOND, SERIES 1990, DATED NOVEMBER 5, 1990, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $450,000 (THE "SERIES 1990 BOND"); (2) WATER REVENUE BOND (VARNEYTOWN PROJECT), SERIES 1997, DATED APRIL 4, 1997, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $40,000 (THE "SERIES 1997 BOND"); (3) THE PROCIOUS PUBLIC SERVICE DISTRICT, WATER REVENUE BOND, SERIES 1982, DATED SEPTEMBER 24, 1982, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $192,000 (THE "SERIES 1980 BOND"); AND (4) ISSUED CONCURRENTLY HEREWITH THE WATER REVENUE BONDS, SERIES 2004 B (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED NOVEMBER 12, 2004, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $360,000 (THE "SERIES 2004 B BONDS"). THE SERIES 1990 BOND, THE SERIES 1997 BOND AND THE SERIES 1980 BOND ARE HEREINAFTER COLLECTIVELY CALLED THE "PRIOR BONDS."

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the System, on a parity with the pledge of Net Revenues in favor of the registered owners of the Prior Bonds and the Series 2004 B Bonds, and from moneys in the reserve account created under the Bond Legislation for this Bond (the "Series 2004 A Bonds Reserve Account") and unexpended proceeds of this Bond. Such Net Revenues shall be sufficient to pay the principal of and interest, if any, on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues, the moneys in the Series 2004 A Bonds Reserve Account and unexpended proceeds of this Bond. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount of principal of and interest, if any, on this Bond payable in any year and all other obligations secured by a lien on or payable from such revenues on a parity with this Bond, including the Prior Bonds and the Series 2004 B Bonds; provided however, that so long as there exists in the Series 2004 A Bonds Reserve Account, an amount at least equal to the maximum amount of principal and interest, if any, which will become due on this Bond in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with this Bond, including the Prior Bonds and the Series 2004 B Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with

the Registered Owner (as defined in the Bond Legislation) of this Bond for the terms of which reference is made to the Bond Legislation. Remedies provided the Registered Owner of this Bond are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of the Registrar (as defined in the Bond Legislation) by the Registered Owner, or by its attorney duly authorized in writing, upon the surrender of this Bond, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the Registered Owner or its attorney duly authorized in writing.

SPECIMEN

Subject to the registration requirements set forth herein, this Bond, under the provision of the Act, is and has all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State of West Virginia.

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law and the Bond Legislation, shall be applied solely to payment of the costs of refunding the Series 2001 A Bond, the costs of the Project and the costs of issuance hereof as described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the Registered Owner of this Bond.

In accordance with the requirements of the United States Department of Agriculture for the issuance of parity obligations, this Bond will be in default should any proceeds of this Bond be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and at the issuance of this Bond do exist, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the Net Revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of this Bond.

SPECIMEN

All provisions of the Bond Legislation, resolutions and statutes under which this Bond is issued shall be deemed to be a part of the contract evidenced by this Bond to the same extent as if written fully herein.

IN WITNESS WHEREOF, CLAY-ROANE PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairperson and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated November 12, 2004.

[SEAL]

SPECIMEN

Melissa Pastelwait

Chairperson

ATTEST:

Crystal McKinney

Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2004 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the Registered Owner set forth above, as of the date set forth below.

Date: November 12, 2004. SPECIMEN

CLAY COUNTY BANK, INC., as Registrar

By: J. Gregory Jenny
Authorized Officer

(Form of)

EXHIBIT A

RECORD OF ADVANCES

	AMOUNT	DATE		AMOUNT	DATE
(1)	$331,602	11/12/04	(19)	$	
(2)	$		(20)	$	
(3)	$		(21)	$	
(4)	$		(22)	$	
(5)	$		(23)	$	
(6)	$		(24)	$	
(7)	$		(25)	$	
(8)	$		(26)	$	
(9)	$		(27)	$	
(10)	$		(28)	$	
(11)	$		(29)	$	
(12)	$		(30)	$	
(13)	$		(31)	$	
(14)	$		(32)	$	
(15)	$		(33)	$	
(16)	$		(34)	$	
(17)	$		(35)	$	
(18)	$		(36)	$	

TOTAL $_____

EXHIBIT B

DEBT SERVICE SCHEDULE

$1,000,000

Clay-Roane PSD (West Virginia)

40 Years (from Closing Date); 0% Interest Rate

Closing Date: November 12, 2004

Debt Service Schedule

SPECIMEN

Date	Principal	Coupon	Total P+I
12/01/2004	-	-	-
03/01/2005	-	-	-
06/01/2005	-	-	-
09/01/2005	-	-	-
12/01/2005	-	-	-
03/01/2006	-	-	-
06/01/2006	-	-	-
09/01/2006	-	-	-
12/01/2006	6,578.95	-	6,578.95
03/01/2007	6,578.95	-	6,578.95
06/01/2007	6,578.95	-	6,578.95
09/01/2007	6,578.95	-	6,578.95
12/01/2007	6,578.95	-	6,578.95
03/01/2008	6,578.95	-	6,578.95
06/01/2008	6,578.95	-	6,578.95
09/01/2008	6,578.95	-	6,578.95
12/01/2008	6,578.95	-	6,578.95
03/01/2009	6,578.95	-	6,578.95
06/01/2009	6,578.95	-	6,578.95
09/01/2009	6,578.95	-	6,578.95
12/01/2009	6,578.95	-	6,578.95
03/01/2010	6,578.95	-	6,578.95
06/01/2010	6,578.95	-	6,578.95
09/01/2010	6,578.95	-	6,578.95
12/01/2010	6,578.95	-	6,578.95
03/01/2011	6,578.95	-	6,578.95
06/01/2011	6,578.95	-	6,578.95
09/01/2011	6,578.95	-	6,578.95
12/01/2011	6,578.95	-	6,578.95

03/01/2012	6,578.95	-	6,578.95
06/01/2012	6,578.95	-	6,578.95
09/01/2012	6,578.95	-	6,578.95
12/01/2012	6,578.95	-	6,578.95
03/01/2013	6,578.95	-	6,578.95
06/01/2013	6,578.95	-	6,578.95
09/01/2013	6,578.95	-	6,578.95
12/01/2013	6,578.95	-	6,578.95
03/01/2014	6,578.95	-	6,578.95
06/01/2014	6,578.95	-	6,578.95
09/01/2014	6,578.95	-	6,578.95
12/01/2014	6,578.95	-	6,578.95
03/01/2015	6,578.95	-	6,578.95
06/01/2015	6,578.95	-	6,578.95
09/01/2015	6,578.95	-	6,578.95
12/01/2015	6,578.95		6,578.95
03/01/2016	6,578.95		6,578.95
06/01/2016	6,578.95	-	6,578.95
09/01/2016	6,578.95	-	6,578.95
12/01/2016	6,578.95	-	6,578.95
03/01/2017	6,578.95	-	6,578.95
06/01/2017	6,578.95	-	6,578.95
09/01/2017	6,578.95	-	6,578.95
12/01/2017	6,578.95	-	6,578.95
03/01/2018	6,578.95	-	6,578.95
06/01/2018	6,578.95	-	6,578.95
09/01/2018	6,578.95	-	6,578.95
12/01/2018	6,578.95	-	6,578.95
03/01/2019	6,578.95	-	6,578.95
06/01/2019	6,578.95	-	6,578.95
09/01/2019	6,578.95	-	6,578.95
12/01/2019	6,578.95	-	6,578.95
03/01/2020	6,578.95	-	6,578.95
06/01/2020	6,578.95	-	6,578.95
09/01/2020	6,578.95	-	6,578.95
12/01/2020	6,578.95	-	6,578.95
03/01/2021	6,578.95	-	6,578.95
06/01/2021	6,578.95	-	6,578.95
09/01/2021	6,578.95	-	6,578.95
12/01/2021	6,578.95	-	6,578.95
03/01/2022	6,578.95	-	6,578.95
06/01/2022	6,578.95	-	6,578.95
09/01/2022	6,578.95	-	6,578.95
12/01/2022	6,578.95	-	6,578.95
03/01/2023	6,578.95	-	6,578.95
	6,578.95	-	6,578.95

SPECIMEN

06/01/2023			
09/01/2023	6,578.95	-	6,578.95
12/01/2023	6,578.95	-	6,578.95
03/01/2024	6,578.95	-	6,578.95
06/01/2024	6,578.95	-	6,578.95
09/01/2024	6,578.95	-	6,578.95
12/01/2024	6,578.95	-	6,578.95
03/01/2025	6,578.95	-	6,578.95
06/01/2025	6,578.95	-	6,578.95
09/01/2025	6,578.95	-	6,578.95
12/01/2025	6,578.95	-	6,578.95
03/01/2026	6,578.95	-	6,578.95
06/01/2026	6,578.95	-	6,578.95
09/01/2026	6,578.95	-	6,578.95
12/01/2026	6,578.95	-	6,578.95
03/01/2027	6,578.95	-	6,578.95
06/01/2027	6,578.95	-	6,578.95
09/01/2027	6,578.95	-	6,578.95
12/01/2027	6,578.95		6,578.95
03/01/2028	6,578.95		6,578.95
06/01/2028	6,578.95	-	6,578.95
09/01/2028	6,578.95	-	6,578.95
12/01/2028	6,578.95	-	6,578.95
03/01/2029	6,578.95	-	6,578.95
06/01/2029	6,578.95	-	6,578.95
09/01/2029	6,578.95	-	6,578.95
12/01/2029	6,578.95	-	6,578.95
03/01/2030	6,578.95	-	6,578.95
06/01/2030	6,578.95	-	6,578.95
09/01/2030	6,578.95	-	6,578.95
12/01/2030	6,578.95	-	6,578.95
03/01/2031	6,578.95	-	6,578.95
06/01/2031	6,578.95	-	6,578.95
09/01/2031	6,578.95	-	6,578.95
12/01/2031	6,578.95	-	6,578.95
03/01/2032	6,578.95	-	6,578.95
06/01/2032	6,578.95	-	6,578.95
09/01/2032	6,578.95	-	6,578.95
12/01/2032	6,578.95	-	6,578.95
03/01/2033	6,578.95	-	6,578.95
06/01/2033	6,578.95	-	6,578.95
09/01/2033	6,578.95	-	6,578.95
12/01/2033	6,578.95	-	6,578.95
03/01/2034	6,578.95	-	6,578.95
06/01/2034	6,578.95	-	6,578.95
09/01/2034	6,578.95	-	6,578.95

SPECIMEN

12/01/2034	6,578.94	-	6,578.94
03/01/2035	6,578.94	-	6,578.94
06/01/2035	6,578.94	-	6,578.94
09/01/2035	6,578.94	-	6,578.94
12/01/2035	6,578.94	-	6,578.94
03/01/2036	6,578.94	-	6,578.94
06/01/2036	6,578.94	-	6,578.94
09/01/2036	6,578.94	-	6,578.94
12/01/2036	6,578.94	-	6,578.94
03/01/2037	6,578.94	-	6,578.94
06/01/2037	6,578.94	-	6,578.94
09/01/2037	6,578.94	-	6,578.94
12/01/2037	6,578.94	-	6,578.94
03/01/2038	6,578.94	-	6,578.94
06/01/2038	6,578.94	-	6,578.94
09/01/2038	6,578.94	-	6,578.94
12/01/2038	6,578.94	-	6,578.94
03/01/2039	6,578.94	-	6,578.94
06/01/2039	6,578.94	-	6,578.94
09/01/2039	6,578.94	-	6,578.94
12/01/2039	6,578.94	-	6,578.94
03/01/2040	6,578.94	-	6,578.94
06/01/2040	6,578.94	-	6,578.94
09/01/2040	6,578.94	-	6,578.94
12/01/2040	6,578.94	-	6,578.94
03/01/2041	6,578.94	-	6,578.94
06/01/2041	6,578.94	-	6,578.94
09/01/2041	6,578.94	-	6,578.94
12/01/2041	6,578.94	-	6,578.94
03/01/2042	6,578.94	-	6,578.94
06/01/2042	6,578.94	-	6,578.94
09/01/2042	6,578.94	-	6,578.94
12/01/2042	6,578.94	-	6,578.94
03/01/2043	6,578.94	-	6,578.94
06/01/2043	6,578.94	-	6,578.94
09/01/2043	6,578.94	-	6,578.94
12/01/2043	6,578.94	-	6,578.94
03/01/2044	6,578.94	-	6,578.94
06/01/2044	6,578.94	-	6,578.94
09/01/2044	6,578.94	-	6,578.94
Total	**$1,000,000.00**	-	**$1,000,000.00**

SPECIMEN

(Form of)

ASSIGNMENT

FOR VALUE RECEIVED the undersigned sells, assigns, and transfers unto _____ the within Bond and does hereby irrevocably constitute and appoint _____, Attorney to transfer the said Bond on the books kept for registration of the within Bond of the said Issuer with full power of substitution in the premises.

SPECIMEN

Dated: _____, 20__.

In the presence of:

_____

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CLAY-ROANE PUBLIC SERVICE DISTRICT
WATER REVENUE BOND, SERIES 2004 B
(UNITED STATES DEPARTMENT OF AGRICULTURE)

No. BR-1 $360,000

FOR VALUE RECEIVED, CLAY-ROANE PUBLIC SERVICE DISTRICT, a public service district, public corporation and political subdivision of the State of West Virginia in Clay and Roane Counties of said State (the "Issuer"), promises to pay to the order of the UNITED STATES OF AMERICA (the "Government"), at its National Finance Office, 1520 Market Street, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, and in the manner provided below, the principal sum of THREE HUNDRED SIXTY THOUSAND DOLLARS ($360,000), or such lesser amount as is set forth on the Record of Advances attached hereto and incorporated herein by reference, plus interest on the unpaid principal balance at the rate of 4.5% per annum.

SPECIMEN

The principal of and interest on this Bond shall be paid in the following installments on the following dates: Monthly installments of interest only on the amounts advanced hereunder, commencing 30 days following the date of delivery of this Bond and continuing on the corresponding day of each month thereafter for the first 24 months after the date hereof, and thereafter, on the corresponding day of each month in installments of principal and interest in the aggregate amount of $1,653.00, except that the final installment shall be paid at the end of 40 years from the date of this Bond in the sum of the unpaid principal and interest due on the date thereof and except that prepayments may be made as provided below. This consideration shall support any agreement modifying the foregoing schedule of payments.

If the total amount of the loan is not advanced at the time of loan closing, the loan shall be advanced to the Issuer as requested by the Issuer and approved by the Government and interest shall accrue on the amount of each advance from its actual date as shown on the Record of Advances attached hereto as a part hereof.

SPECIMEN

Every payment made on any indebtedness evidenced by this Bond shall be applied first to interest computed to the effective date of the payment and then to principal.

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of the Issuer. Extra payments, as defined in the regulations of the Government, shall, after payment of interest, be applied to the installment last to come due under this Bond and shall not affect the obligation of the Issuer to pay the remaining installments as scheduled herein.

Any amount advanced or expended by the Government for the collection hereof, or to preserve or to protect any security therefor, or otherwise under the terms of any security or other instrument executed in connection with the loan evidenced hereby, at the option of the Government, shall become a part of and bear interest at the same rate as the principal of the debt

evidenced hereby and be immediately due and payable by the Issuer to the Government without demand. The Issuer agrees to use the loan evidenced hereby solely for purposes authorized by the Government. The Issuer has granted to the Government a lien on the proceeds of this Bond until such proceeds are expended for authorized purposes.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain improvements and extensions to the existing public water facilities of the Issuer (the "Project"); and (ii) to pay certain costs of issuance of this Bond and related costs. The existing public water facilities of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Act"), a Bond Resolution duly adopted by the Issuer on October 14, 2004, and a Supplemental Resolution duly adopted by the Issuer on October 14, 2004 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for this Bond under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL OTHER RESPECTS, WITH THE ISSUER'S (1) WATER REVENUE BOND, SERIES 1990, DATED NOVEMBER 5, 1990, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $450,000 (THE "SERIES 1990 BOND"); (2) WATER REVENUE BOND (VARNEYTOWN PROJECT), SERIES 1997, DATED APRIL 4, 1997, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $40,000 (THE "SERIES 1997 BOND"); (3) THE PROCIOUS PUBLIC SERVICE DISTRICT, WATER REVENUE BOND, SERIES 1982, DATED SEPTEMBER 24, 1982, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $192,000 (THE "SERIES 1980 BOND"); AND (4) ISSUED CONCURRENTLY HEREWITH THE WATER REVENUE BONDS, SERIES 2004 A (WEST VIRGINIA INFRASTRUCTURE FUND), DATED NOVEMBER 12, 2004, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,000,000 (THE "SERIES 2004 A BONDS"). THE SERIES 1990 BOND, THE SERIES 1997 BOND AND THE SERIES 1982 BOND ARE HEREINAFTER COLLECTIVELY CALLED THE "PRIOR BONDS."

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the System, on a parity with the pledge of Net Revenues in favor of the registered owners of the Prior Bonds and the Series 2004 A Bonds, and from moneys in the reserve account created under the Bond Legislation for this Bond (the "Series 2004 B Bonds Reserve Account") and unexpended proceeds of this Bond. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon, except from said special fund provided from the Net Revenues, the moneys in the Series 2004 B Bonds Reserve Account and unexpended proceeds of this Bond.

Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates or charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount of principal of and interest on this Bond payable in any year and all other obligations secured by a lien or payable from such revenues on a parity with this Bond, including the Prior Bonds and the Series 2004 A Bonds; provided however, that so long as there exists in the Series 2004 B Bonds Reserve Account, an amount at least equal to the maximum amount of principal and interest which will become due on this Bond in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with this Bond, including the Prior Bonds and the Series 2004 A Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the Registered Owner (as defined in the Bond Legislation) of this Bond for the terms of which reference is made to the Bond Legislation. Remedies provided the Registered Owner of this Bond are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

SPECIMEN

Subject to the registration requirements set forth in the Bond Legislation, this Bond is transferable, as provided in the Bond Legislation, only upon the books of the Secretary of the Issuer, as registrar (the "Registrar"), which shall be kept for that purpose at the office of the Registrar, by the Registered Owner or by its attorney or legal representative duly authorized in writing, upon surrender of this Bond, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the Registered Owner or its attorney or legal representative duly authorized in writing.

Subject to the registration requirements set forth in the Bond Legislation, this Bond under the provision of the Act, is and has all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State of West Virginia.

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law and the Bond Legislation, shall be applied solely to payment of the costs of the Project and the costs of issuance hereof as described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the Registered Owner of this Bond.

SPECIMEN

The Issuer hereby certifies that it is unable to obtain sufficient credit elsewhere to finance its actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in or near its community for loans for such purposes and periods of time.

If at any time it so appears to the Government that the Issuer may be able to obtain a loan from a responsible cooperative or private creditor at reasonable rates and terms for loans for such purposes and period of time, the Issuer will at the Government's request apply for and accept such loan in sufficient amount to repay the Government.

In accordance with the requirements of the United States Department of Agriculture for the issuance of parity obligations, this Bond will be in default should any proceeds of this Bond be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity.

This Bond is given as evidence of a loan to the Issuer made or insured by the Government pursuant to the Rural Development Act of 1972. This Bond shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

SPECIMEN

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and at the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the Net Revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of and interest on this Bond.

All provisions of the Bond Legislation, resolutions and statutes under which this Bond is issued shall be deemed to be a part of the contract evidenced by this Bond to the same extent as if written fully herein.

IN WITNESS WHEREOF, CLAY-ROANE PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairperson and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated November 12, 2004.

SPECIMEN

Melesia Postelwait
Chairperson

[SEAL]

ATTEST:

Crystal McKinney
Secretary

(Form of)

RECORD OF ADVANCES

	AMOUNT	DATE		AMOUNT	DATE
(1)	$274,123	11/12/04	(19)	$	
(2)	$		(20)	$	
(3)	$		(21)	$	
(4)	$		(22)	$	
(5)	$		(23)	$	
(6)	$		(24)	$	
(7)	$		(25)	$	
(8)	$		(26)	$	
(9)	$		(27)	$	
(10)	$		(28)	$	
(11)	$		(29)	$	
(12)	$		(30)	$	
(13)	$		(31)	$	
(14)	$		(32)	$	
(15)	$		(33)	$	
(16)	$		(34)	$	
(17)	$		(35)	$	
(18)	$		(36)	$	
			TOTAL	$	

SPECIMEN

(Form of)

ASSIGNMENT

FOR VALUE RECEIVED the undersigned sells, assigns, and transfers unto _____ the within Bond and does hereby irrevocably constitute and appoint _____, Attorney to transfer said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____, 20

SPECIMEN

In the presence of:

_____

BOND REGISTER

$1,000,000
CLAY-ROANE PUBLIC SERVICE DISTRICT
WATER REVENUE BOND, SERIES 2004 A
(WEST VIRGINIA INFRASTRUCTURE FUND)

BOND NO.	AMOUNT	REGISTERED OWNER	DATE OF BOND
AR-1	$1,000,000	West Virginia Water Development Authority 180 Association Drive Charleston, WV 25311	November 12, 2004

ALL ASSIGNMENTS OR CHANGES OF OWNERSHIP OF THESE BONDS MUST BE REPORTED ON THIS BOND REGISTER PURSUANT TO SECTION 3.05 OF THE BOND RESOLUTION.

BOND REGISTER

$360,000
CLAY-ROANE PUBLIC SERVICE DISTRICT
WATER REVENUE BOND, SERIES 2004 B
(UNITED STATES DEPARTMENT OF AGRICULTURE)

BOND NO.	AMOUNT	REGISTERED OWNER	DATE OF BOND
BR-1	$360,000	United States of America National Finance Office 1520 Market Street St. Louis, Missouri 63103	November 12, 2004

ALL ASSIGNMENTS OR CHANGES OF OWNERSHIP OF THESE BONDS MUST BE REPORTED ON THIS REGISTRY PURSUANT TO SECTION 3.05 OF THE BOND RESOLUTION.

JUL 09 1996

CLAY/ROANE PUBLIC SERVICE DISTRICT

WATER REVENUE BONDS, SERIES 1990

BOND RESOLUTION

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CLAY/ROANE PUBLIC SERVICE DISTRICT

WATER REVENUE BOND, SERIES 1990

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF PUBLIC SERVICE PROPERTIES OF CLAY/ROANE PUBLIC SERVICE DISTRICT CONSTITUTING WATERWORKS FACILITIES AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $450,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BOND, SERIES 1990; DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BOND; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES AND SECURITY OF THE HOLDERS OF THE BOND; AND ADOPTING OTHER PROVISIONS RELATING THERETO

BE IT RESOLVED AND ORDERED BY THE PUBLIC SERVICE BOARD OF CLAY/ROANE PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Authority for this Resolution. This Resolution (together with any order or resolution supplemental hereto or amendatory hereof, the "Bond Legislation") is adopted pursuant to the provisions of Chapter 16, Article 13A, of the West Virginia Code of 1931, as amended (the "Act"), and other applicable provisions of law.

Section 1.02. Findings and Determinations. It is hereby found, determined and declared that:

A. Clay/Roane Public Service District (the "Issuer") is a public service district and political subdivision of the State of West Virginia in Clay and Roane Counties of said State, duly created by The County Commission of Clay County pursuant to the Act.

B. The Issuer presently does not own or operate a public waterworks system, and it is deemed essential, convenient, necessary and desirable for the health, safety, advantage, convenience and welfare of the inhabitants of the Issuer, and, accordingly, it is hereby ordered that there be acquired and constructed certain waterworks facilities consisting of a waterworks system of approximately 11 miles from Procious, Clay County, to Newton, Roane County, including transmission facilities, a 50 gpm booster station,

a 100,000 gallon water storage tank and upgrading an existing booster station to 70 gpm, with all necessary appurtenant facilities (the "Project"), which constitute properties for the diversion, development, pumping, impounding, treatment, storage, distribution or furnishing of water to or for the public for industrial, public, private or other uses (the Project and any additions and improvements thereto or extensions thereof is herein called the "System") at an estimated cost of $1,995,000, in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Secretary of the Public Service Board (the "Governing Body") of the Issuer, of which approximately $450,000 will be obtained from the Bond, approximately $750,000 will be obtained by a grant from the Purchaser, approximately $750,000 will be obtained by a grant from the Department of Housing and Urban Development (Small Cities Block Grant through the State of West Virginia), approximately $25,000 will be obtained by a grant from The County Commission of Clay County and approximately $20,000 will be obtained by a grant from The County Commission of Roane County. Water will be purchased from Procious Public Service District pursuant to a water purchase contract between Procious Public Service District and the Issuer. The acquisition and construction of the Project and the financing hereby authorized and provided for are public purposes of the Issuer and are ordered for the purpose of meeting and serving public convenience and necessity.

C. The estimated revenues to be derived in each year from the operation of the System after completion of the Project will be sufficient to pay all the costs of the operation and maintenance of the System, the principal of and interest on the Bond (as hereinafter defined) and all debt service, reserve fund and other payments provided for herein.

D. It is deemed necessary for the Issuer to issue its Water Revenue Bond in the aggregate principal amount of $450,000 to finance part of the costs of acquisition and construction of the Project. The cost of such acquisition and construction shall be deemed to include, without being limited to, the acquisition and construction of the Project; the acquisition of any necessary property, real or personal, or interest therein; interest on the Bond prior to, during and for 6 months after completion of such construction to the extent that revenues of the System are not sufficient therefor; engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; and such other expenses as may be necessary or incidental to the construction of the Project and the financing authorized hereby; provided, that reimbursement to the Issuer for any amounts expended by it for the repayment of indebtedness incurred for Costs of the Project by the Issuer shall be deemed Costs of the Project.

E. The period of usefulness of the System after completion of the Project is not less than 40 years.

F. It is in the best interests of the Issuer that the Bond be sold to the United States Department of Agriculture, Farmers Home Administration (the "Purchaser"), pursuant to the terms and provisions of a letter of conditions dated April 6, 1988, and all amendments thereto (collectively, the "Letter of Conditions").

G. There are no outstanding obligations of the Issuer which will rank prior to or on a parity with the Bond as to lien, pledge and/or source of and security for payment.

H. The Issuer has complied with all requirements of law relating to authorization of the acquisition and construction of the Project, the operation of the System, including, without limitation, the imposition of rates and charges, and the issuance of the Bond, or will have so complied prior to issuance of the Bond, including among other things and without limitation, the consent and approval, pursuant to the Act and all other provisions of law, of the issuance of the Bond, the acquisition and construction of the Project and the imposition of rates and charges by the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which have expired.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Bond by those who shall be the Registered Owner of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Registered Owner, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the benefit, protection and security of the Registered Owner of such Bond.

Section 1.04. Definitions. The following terms shall have the following meanings herein unless the text otherwise expressly requires:

"Act" means Chapter 16, Article 13A, of the West Virginia Code of 1931, as amended.

"Bond" means the Water Revenue Bond, Series 1990, authorized hereby to be issued.

"Bond Legislation," "Resolution" or "Bond Resolution" means this Bond Resolution and all orders and resolutions supplemental hereto or amendatory hereof.

"Bond Registrar" or "Registrar" means the Issuer, which shall usually so act by its Secretary.

"Chairman" means the Chairman of the Governing Body.

"Consulting Engineer" means Kelley, Gidley, Blair & Wolfe, Charleston, West Virginia, or any qualified engineer or firm of engineers which shall at any time hereafter be retained by the Issuer as Consulting Engineer for the System.

"Costs" or "Costs of the Project" means those costs described in Section 1.02D hereof to be a part of the cost of acquisition and construction of the Project.

"Depository Bank" means First National Bank of Spencer, Spencer, West Virginia, a bank or trust company which is a member of FDIC (herein defined), and its successors and assigns.

"Facilities" or "waterworks facilities" means all the tangible properties of the System and also any tangible properties which may hereafter be added to the System by additions, betterments, extensions and improvements thereto and properties, furniture, fixtures or equipment therefor, hereafter at any time constructed or acquired.

"FDIC" means the Federal Deposit Insurance Corporation.

"Fiscal Year" means each 12-month period beginning on July 1 and ending on the succeeding June 30.

"Governing Body" means the Public Service Board of the Issuer.

"Government Obligations" means direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States of America.

"Herein" or "herein" means this Bond Legislation.

"Issuer" or "District" means Clay/Roane Public Service District, in Clay and Roane Counties, West Virginia, and includes the Governing Body.

"Letter of Conditions" means the letter of conditions of the Purchaser dated April 6, 1988, and all amendments thereto.

"Net Revenues" means the balance of the Gross Revenues, as defined below, remaining after deduction only of Operating Expenses, as hereinafter defined.

"Operating Expenses" means the current expenses, paid or accrued, of operation and maintenance of the System and its facilities, and includes, without limiting the generality of the foregoing, insurance premiums, salaries, wages and administrative expenses of the Issuer relating and chargeable solely to the System, the accumulation of appropriate reserves for charges not annually recurrent but which are such as may reasonably be expected to be incurred, and such other reasonable operating costs as are normally and regularly included under recognized accounting principles and retention of a sum not to exceed 1/6th of the budgeted Operating Expenses stated above for the current year as working capital, and language herein requiring payment of Operating Expenses means also retention of not to exceed such sum as working capital provided that all monthly amortization payments upon the Bond and into the Reserve Fund and the Depreciation Reserve have been made to the last monthly payment date prior to the date of such retention.

"Project" shall have the meaning stated in Section 1.02B above.

"Purchaser" or "Government" means United States Department of Agriculture, Farmers Home Administration, and any successor thereof.

"Qualified Investments" means and includes any of the following:

(a) Government Obligations;

(b) Government Obligations which have been stripped of their unmatured interest coupons, interest coupons stripped from Government Obligations, and receipts or certificates evidencing payments from Government Obligations or interest coupons stripped from Government Obligations;

(c) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies: Banks for Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Government National Mortgage Association; Tennessee Valley

Authority; or Washington Metropolitan Area Transit Authority;

(d) Any bond, debenture, note, participation certificate or other similar obligations issued by the Federal National Mortgage Association to the extent such obligation is guaranteed by the Government National Mortgage Association or issued by any other federal agency and backed by the full faith and credit of the United States of America;

(e) Time accounts (including accounts evidenced by time certificates of deposit, time deposits or other similar banking arrangements) which, to the extent not insured by the FDIC or Federal Savings and Loan Insurance Corporation, shall be secured by a pledge of Government Obligations, provided, that said Government Obligations pledged either must mature as nearly as practicable coincident with the maturity of said time accounts or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said time accounts;

(f) Money market funds or similar funds whose only assets are investments of the type described in paragraphs (a) through (e) above;

(g) Repurchase agreements, fully secured by investments of the types described in paragraphs (a) through (e) above, with banks or national banking associations which are members of FDIC or with government bond dealers recognized as primary dealers by the Federal Reserve Bank of New York, provided, that said investments securing said repurchase agreements either must mature as nearly as practicable coincident with the maturity of said repurchase agreements or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said repurchase agreements, and provided further that the holder of such repurchase agreement shall have a prior perfected security interest in the collateral therefor, must have (or its agent must have) possession of such collateral, and such

collateral must be free of all claims by third parties;

(h) The West Virginia "consolidated fund" managed by the West Virginia State Board of Investments pursuant to Chapter 12, Article 6, of the West Virginia Code of 1931, as amended; and

(i) Obligations of states or political subdivisions or agencies thereof, the interest on which is excluded from gross income for federal income tax purposes, and which are rated at least "A" by Moody's Investors Service, Inc. or Standard & Poor's Corporation.

"Registered Owner," "Bondholder," "Holder" or any similar term means any person who shall be the registered owner of the Bond.

"Revenues" or "Gross Revenues" means all rates, rents, fees, charges or other income received by the Issuer, or accrued to the Issuer, or any department, board, agency or instrumentality thereof in control of the management and operation of the System, from the operation of the System, and all parts thereof, all as calculated in accordance with sound accounting practices.

"Secretary" means the Secretary of the Governing Body.

"State" means the State of West Virginia.

"Surplus Revenues" shall have the meaning set forth in Section 4.03 hereof.

"System" means the Project initially, and includes the complete waterworks system of the Issuer and all waterworks facilities owned by the Issuer and all facilities and other property of every nature, real or personal, now or hereafter owned, held or used in connection with the waterworks system, and shall also include any and all additions, extensions, improvements, properties or other facilities at any time acquired or constructed for the waterworks system after completion of the Project.

"Tap Fees" means the fees, if any, paid by prospective customers of the System in order to connect thereto.

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neuter gender shall include any other gender.

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized the acquisition and construction of the Project, at an estimated cost of $1,995,000, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Bond hereby authorized shall be applied as provided in Article IV hereof.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND ISSUE OF BOND

Section 3.01. Authorization of Bond. Subject and pursuant to the provisions hereof, the Bond of the Issuer, to be known as "Water Revenue Bond, Series 1990," is hereby authorized to be issued in the aggregate principal amount of not exceeding $450,000 for the purpose of permanently financing a portion of the Costs of the Project.

Section 3.02. Description of Bond. The Bond shall be issued in single form, No. R-1, only as a fully registered Bond, and shall be dated the date of delivery thereof. The Bond shall bear interest from date of delivery, payable monthly at the rate of 5% per annum and shall be sold for the par value thereof.

The Bond shall be subject to prepayment of scheduled monthly installments, or any portion thereof, at the option of the Issuer, and shall be payable as provided in the Bond form hereinafter set forth.

Section 3.03. Negotiability, Registration, Transfer and Exchange of Bond. Subject to the provisions for transfer of registration set forth below, the Bond shall be and have all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State, but the Bond, and the right to principal of, and stated interest on, the Bond, may only be transferred by transfer of the registration thereof upon the books required to be kept pursuant to Section 3.04 hereof, by the party in whose name it is registered, in person or by attorney duly authorized in writing, upon surrender of the Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Bond Registrar.

Whenever the Bond shall be surrendered for registration of transfer, the Issuer shall execute and deliver a new Bond or Bonds in authorized denominations, for a like aggregate principal amount. The Bond Registrar shall require the payment by the Bondholder requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer, but the Issuer shall pay any other expenses incurred by the Bond Registrar with respect to such transfer.

No registration of transfer of the Bond shall be permitted to be made after the 15th day next preceding any installment payment date on the Bond.

Section 3.04. Bond Registrar. The Issuer shall be the Bond Registrar and will keep, or cause to be kept by its agent, at its office, sufficient books for the registration and transfer of the Bond, and, upon presentation for such purpose, the Bond Registrar shall, under such reasonable regulations as it may prescribe, register the Bond initially issued pursuant hereto and register the transfer, or cause to be registered by its agent, on such books, the transfer of the Bond as hereinbefore provided.

The Bond Registrar shall accept the Bond for registration or transfer only if ownership thereof is to be registered in the name of the Government, an individual (including joint ownership), a corporation, a partnership or a trust, and only upon receipt of the social security number of each individual, the federal employer identification number of each corporation or partnership or the social security numbers of the settlor and beneficiaries of each trust and the federal employer identification number and date of each trust and the name of the trustee of each trust and/or such other identifying number and information as may be required by law. The Bond shall initially be fully registered as to both principal and interest in the name of the United States of America, Farmers Home Administration. So long as the Bond shall be registered in the name of the United States of America, Farmers Home Administration, the address of the United States of America, Farmers Home Administration, for registration purposes shall be Post Office Box 678, Morgantown, West Virginia 26505, or such other address as shall be stated in writing to the Issuer by the United States of America, Farmers Home Administration.

Section 3.05. Execution of Bond. The Bond shall be executed in the name of the Issuer by the Chairman and its corporate seal shall be affixed thereto and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed the Bond shall cease to be such officer of the Issuer before the Bond so signed and sealed have been actually sold and delivered, such Bond may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bond had not ceased to hold such office. Any Bond may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bond shall hold the proper office in the Issuer, although at the date of such Bond such person may not have held such office or may not have been so authorized.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case the Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may in its discretion issue and deliver a new Bond of like tenor as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond or in lieu of and

substitution for the Bond destroyed, stolen or lost, and upon the holder's furnishing the Issuer proof of his ownership thereof and complying with such other reasonable regulations and conditions as the Issuer may require. The Bond so surrendered shall be cancelled and held for the account of the Issuer. If the Bond shall have matured or be about to mature, instead of issuing a substitute Bond the Issuer may pay the same, and, if such Bond be destroyed, stolen or lost, without surrender thereof.

Section 3.07. Bond Secured by Pledge of Net Revenues. The payment of the debt service of the Bond shall be secured forthwith by a first lien on the Net Revenues derived from the System, in addition to the statutory mortgage lien on the System hereinafter provided for. The Net Revenues derived from the System in an amount sufficient to pay the principal of and interest on the Bond, and to make the payments as hereinafter provided, are hereby irrevocably pledged to the payment of the principal of and interest on the Bond as the same become due.

Section 3.08. Form of Bond. Subject to the provisions hereof, the text of the Bond and the other details thereof shall be of substantially the following tenor, with such omissions, insertions and variations as may be authorized or permitted hereby or by any resolution adopted after the date of adoption hereof and prior to the issuance thereof:

(FORM OF BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CLAY/ROANE PUBLIC SERVICE DISTRICT
WATER REVENUE BOND, SERIES 1990

$450,000

No. R-1

Date: _____

FOR VALUE RECEIVED, CLAY/ROANE PUBLIC SERVICE DISTRICT (herein called the "Issuer") promises to pay to the order of the United States of America, Farmers Home Administration (the "Government"), or its registered assigns, at its National Finance Office, St. Louis, Missouri, 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of FOUR HUNDRED FIFTY THOUSAND DOLLARS ($450,000), plus interest on the unpaid principal balance at the rate of 5% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following the date of delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and $2,210, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of 40 years from the date of this Bond in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

If the total amount of the loan is not advanced at the time of loan closing, the loan shall be advanced to the Issuer as requested by the Issuer and approved by the Government and interest shall accrue on the amount of each advance from its actual date as shown on the Record of Advances attached hereto as a part hereof.

Every payment made on any indebtedness evidenced by this Bond shall be applied first to interest computed to the effective date of the payment and then to principal.

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of the Issuer. Refunds and extra payments, as defined in the regulations of the Farmers Home Administration according to the source of funds involved, shall, after

payment of interest, be applied to the installments last to become due under this Bond and shall not affect the obligation of the Issuer to pay the remaining installments as scheduled herein.

If the Government at any time assigns this Bond and insures the payment thereof, the Issuer shall continue to make payments to the Government as collection agent for the holder.

While this Bond is held by an insured lender, prepayments as above authorized made by the Issuer may, at the option of the Government, be remitted by the Government to the holder promptly or, except for final payment, be retained by the Government and remitted to the holder on either a calendar quarter basis or an annual installment due date basis. The effective date of every payment made by the Issuer, except payments retained and remitted by the Government on an annual installment due date basis, shall be the date of the United States Treasury check by which the Government remits the payment to the holder. The effective date of any prepayment retained and remitted by the Government to the holder on an annual installment due date basis shall be the date of the prepayment by the Issuer, and the Government will pay the interest to which the holder is entitled accruing between the effective date of any such prepayment and the date of the Treasury check to the holder.

Any amount advanced or expended by the Government for the collection hereof or to preserve or protect any security herefor, or otherwise under the terms of any security or other instrument executed in connection with the loan evidenced hereby, at the option of the Government shall become a part of and bear interest at the same rate as the principal of the debt evidenced hereby and be immediately due and payable by the Issuer to the Government without demand. The Issuer agrees to use the loan evidenced hereby solely for purposes authorized by the Government.

The Issuer hereby certifies that it is unable to obtain sufficient credit elsewhere to finance its actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in or near its community for loans for similar purposes and periods of time.

This Bond is issued to permanently finance a portion of the costs of acquisition and construction of new waterworks facilities of the Issuer, and this Bond, together with any additional bonds ranking on a parity herewith which may be issued and outstanding for the purpose of providing funds for financing costs of construction and acquisition of additions, extensions and improvements to the waterworks system (the "System") of the Issuer, is payable solely from the revenues to be derived from the operation of the System after

there have been first paid from such revenues the reasonable current costs of operation and maintenance of the System. This Bond does not in any manner constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest thereon except from the special fund so provided.

Registration of this Bond is transferable by the registered owner hereof in person or by his, her or its attorney duly authorized in writing, at the office of the Issuer, as Bond Registrar, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the herein defined Bond Legislation, and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds, of authorized denomination or denominations, for the like principal amount, will be issued to the transferee in exchange herefor.

This Bond, under the provisions of the Act, is and has all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may only be transferred by transfer of registration hereof with the Bond Registrar.

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 16, Article 13A, of the West Virginia Code (herein called the "Act"), and with a resolution of the Issuer duly adopted authorizing issuance of this Bond (the "Bond Legislation").

If at any time it shall appear to the Government that the Issuer may be able to obtain a loan from a responsible cooperative or private credit source at reasonable rates and terms for loans for similar purposes and periods of time, the Issuer will, at the Government's request, apply for and accept such loan in sufficient amount to repay the Government.

This Bond is given as evidence of a loan to the Issuer made or insured by the Government pursuant to the Consolidated Farmers Home Rural Development Act. This Bond shall be subject to the present regulations of the Farmers Home Administration and to its future regulations not inconsistent with the express provisions hereof.

IN WITNESS WHEREOF, CLAY/ROANE PUBLIC SERVICE DISTRICT has caused this Bond to be executed by its Chairman and its corporate seal to be hereunto affixed or imprinted hereon and attested by its Secretary, all as of the date hereinabove written.

CLAY/ROANE PUBLIC SERVICE DISTRICT
(Name of Borrower)

[CORPORATE SEAL]

(Signature of Executive Official)

Chairman, Public Service Board
(Title of Executive Official)

Route 36
(P.O. Box No. or Street Address)

Newton, West Virginia 25266
(City, State and Zip Code)

ATTEST:

(Signature of Attesting Official)

Secretary, Public Service Board
(Title of Attesting Official)

RECORD OF ADVANCES

	AMOUNT	DATE		AMOUNT	DATE
(1)	$		(6)	$	
(2)	$		(7)	$	
(3)	$		(8)	$	
(4)	$		(9)	$	
(5)	$		(10)	$	

TOTAL $_____

[Form of Assignment]

ASSIGNMENT

FOR VALUE RECEIVED the undersigned sells, assigns, and transfers unto

the within Bond and does hereby irrevocably constitute and appoint _____, Attorney to transfer the said Bond on the books kept for registration of the within Bond of the said Issuer with full power of substitution in the premises.

Dated: _____, _____.

_____

In the presence of:

_____

ARTICLE IV

SYSTEM REVENUES AND APPLICATION THEREOF; DISPOSITION OF BOND PROCEEDS; FUNDS AND ACCOUNTS

Section 4.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are hereby created and established with and shall be held by the Depository Bank separate, distinct and apart from all other funds or accounts of the Depository Bank and from each other:

(1) Revenue Fund;

(2) Project Construction Account;

(3) Depreciation Reserve; and

(4) Reserve Fund.

Section 4.02. Bond Proceeds; Project Construction Account. The proceeds of the sale of the Bond shall be deposited upon receipt by the Issuer in the Project Construction Account. The moneys in the Project Construction Account in excess of the amount insured by FDIC shall be secured at all times by the Depository Bank by securities or in a manner lawful for the securing of deposits of State and municipal funds under West Virginia law. Moneys in the Project Construction Account shall be expended by the Issuer solely for the purposes provided herein.

Moneys in the Project Construction Account shall be used solely to pay the cost of acquisition and construction of the Project upon vouchers and other documentation approved by the Purchaser.

Until completion of acquisition and construction of the Project, the Issuer will additionally transfer from the Project Construction Account and pay to the Purchaser on or before the due date, such sums as shall be from time to time required to make the monthly installments on the Bond if there are not sufficient Net Revenues to make such monthly payment.

Pending application as provided in this Section 4.02, money and funds in the Project Construction Account shall be invested and reinvested at the direction of the Issuer, to the extent possible in accordance with applicable law, in Qualified Investments.

When construction of the Project has been completed and all costs thereof have been paid or provision for such payment has been

made, any balance remaining in the Project Construction Account shall be disposed of in accordance with the regulations of the Purchaser.

Section 4.03. Covenants of the Issuer as to System Revenues and Funds. So long as the Bond shall be outstanding and unpaid, or until there shall have been set apart in the Reserve Fund, a sum sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of the Bond remaining unpaid, together with interest accrued to the date of such payment, the Issuer further covenants with the holder of the Bond as follows:

(A) REVENUE FUND. The entire Gross Revenues derived from the operation of the System, and all parts thereof, and all Tap Fees received, shall be deposited as collected by the Issuer in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided herein and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner provided herein.

(B) DISPOSITION OF REVENUES. All Revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following order and priority:

(i) The Issuer shall first each month pay from the moneys in the Revenue Fund all current Operating Expenses.

(ii) The Issuer shall next, on or before the due date of payment of each installment on the Bond, transfer from the Revenue Fund and remit to the National Finance Office designated in the Bond (or such other place as may be provided pursuant to the Bond) the amount required to pay the interest on the Bond, and to amortize the principal of the Bond over the life of the Bond issue.

(iii) The Issuer shall also, on each date that payment is made as set forth in (ii) above, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Reserve Fund, 1/12th of 1/10th of the amount, as of the date of calculation, equal to the maximum amount of principal and interest which will become due on the Bond in any year, until the amount in the Reserve Fund equals such maximum amount (the "Minimum Reserve"). After the Minimum Reserve

has been accumulated in the Reserve Fund, the Issuer shall monthly deposit into the Reserve Fund such part of the moneys remaining in the Revenue Fund, after such provision for payment of monthly installments on the Bond and for payment of Operating Expenses of the System, as shall be required to maintain the Minimum Reserve in the Reserve Fund. Moneys in the Reserve Fund shall be used solely to make up any deficiency for monthly payments of the principal of and interest on the Bond to said National Finance Office (or other place provided) as the same shall become due or for prepayment of installments on the Bond, or for mandatory prepayment of the Bond as hereinafter provided, and for no other purpose; provided, however, that when the Minimum Reserve has been accumulated in the Reserve Fund, all earnings of investments of moneys therein shall at least annually be transferred to and deposited in the Revenue Fund and used for prepayment of the principal of the Bond.

(iv) The Issuer shall next, on each date that payment is made as set forth in (ii) above, transfer from the Revenue Fund and deposit in the Depreciation Reserve, the moneys remaining in the Revenue Fund and not permitted to be retained therein, until there has been accumulated in the Depreciation Reserve the aggregate sum of $99,750, and thereafter such sums as shall be required to maintain such amount therein. Moneys in the Depreciation Reserve shall be used first to make up any deficiencies for monthly payments of principal of and interest on the Bond as the same become due, and next to restore to the Reserve Fund any sum or sums transferred therefrom. Thereafter, and provided that payments into the Reserve Fund are current and in accordance with the foregoing provisions, moneys in the Depreciation Reserve may be withdrawn by the Issuer and used for extraordinary repairs and for replacements of equipment and improvements for the System, or any part thereof.

(v) After all the foregoing provisions for use of moneys in the Revenue Fund have been fully complied with, moneys remaining therein and not required to be retained therein, if any ("Surplus

Revenues"), may be used to prepay installments of the Bond or for any lawful purpose.

Whenever the moneys in the Reserve Fund shall be sufficient to prepay the Bond in full, it shall be the mandatory duty of the Issuer, anything to the contrary herein notwithstanding, to prepay the Bond at the earliest practical date and in accordance with applicable provisions hereof.

The Depository Bank is hereby designated as the Fiscal Agent for the administration of the Reserve Fund and the Depreciation Reserve herein provided, and all amounts required for the Reserve Fund and Depreciation Reserve will be deposited therein by the Issuer upon transfers of funds from the Revenue Fund at the times provided herein, together with written advice stating the amount remitted for deposit into each such fund.

The Revenue Fund, the Reserve Fund and the Depreciation Reserve shall constitute trust funds and shall be used only for the purposes and in the order provided herein, and until so used, the Purchaser shall have a lien thereon for further securing payment of the Bond and the interest thereon, but the Depository Bank shall not be a trustee as to such funds.

If on any payment date the Revenues are insufficient to make the payments and transfers as hereinabove provided, the deficiency shall be made up in the subsequent payments and transfers in addition to those which would otherwise be required to be made on the subsequent payment dates.

The Depository Bank, at the direction of the Issuer, shall keep the moneys in the Reserve Fund and the Depreciation Reserve invested and reinvested to the fullest extent possible in accordance with applicable law, and to the extent practicable, in Qualified Investments having maturities consonant with the required use thereof. Investments in any fund or account under this Bond Legislation shall, unless otherwise provided herein or required by law, be valued at the lower of cost or the then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held by the "consolidated fund" managed by the West Virginia State Board of Investments. Any investment shall be held in and at all

times deemed a part of the fund or account in which such moneys were originally held, and interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund. Earnings upon moneys in the Reserve Fund, so long as the Minimum Reserve is on deposit and maintained therein, shall be paid annually in January into the Revenue Fund by the Depository Bank.

(C) CHANGE OF DEPOSITORY BANK AND FISCAL AGENT. The Issuer may designate another bank or trust company insured by FDIC as Depository Bank and Fiscal Agent if the aforesaid bank should cease for any reason to serve or if the Governing Body determines by resolution that said bank or its successor should no longer serve as Depository Bank and Fiscal Agent. Upon any such change, the Governing Body will cause notice of the change to be sent by registered or certified mail to the Purchaser.

(D) USER CONTRACTS. The Issuer shall, prior to delivery of the Bond, provide evidence that there will be at least 200 bona fide users upon the System on completion of the Project, in full compliance with the requirements and conditions of the Purchaser.

(E) CHARGES AND FEES. The Issuer shall remit from the Revenue Fund to the Depository Bank such additional sums as shall be necessary to pay the charges and fees of the Depository Bank then due.

(F) INVESTMENT OF EXCESS BALANCES. The moneys in excess of the sum insured by the maximum amounts insured by FDIC in any of such funds or accounts shall at all times be secured, to the full extent thereof in excess of such insured sum, in a lawful manner for securing deposits of state and municipal funds under the laws of the State.

(G) REMITTANCES. All remittances made by the Issuer to the Depository Bank shall clearly identify the fund or account into which each amount is to be deposited.

(H) GROSS REVENUES. The Gross Revenues of the System shall only be used for purposes of the System.

ARTICLE V

GENERAL COVENANTS, ETC.

Section 5.01. General Statement. So long as the Bond shall be outstanding and unpaid, or until there shall have been set apart in the Reserve Fund a sum sufficient to prepay the entire principal of the Bond remaining unpaid, together with interest accrued and to accrue thereon to the date of prepayment, the covenants and agreements contained herein shall be and constitute valid and legally binding covenants between the Issuer and the Bondholder.

Section 5.02. Rates. The Issuer will, in the manner provided in the Act, fix and collect such rates, fees or other charges for the services and facilities of the System, and revise the same from time to time whenever necessary, as will always provide Revenues in each Fiscal Year sufficient to produce Net Revenues equal to not less than 110% of the annual debt service on the Bond, and sufficient to make the payments required to be made into the Reserve Fund and Depreciation Reserve and all the necessary expenses of operating and maintaining the System during such Fiscal Year, and such rates, fees and other charges shall not be reduced so as to be insufficient to provide adequate Revenues for such purposes.

Section 5.03. Sale of the System. The System will not be sold without the prior written consent of the Purchaser so long as the Bond is outstanding. Such consent will provide for disposition of the proceeds of any such sale.

Section 5.04. Issuance of Additional Parity Bonds or Obligations. No additional parity bonds or obligations payable out of any or all of the Revenues of the System shall be issued after the issuance of the Bond pursuant hereto except with the prior written consent of the Purchaser.

Section 5.05. Insurance and Bonds. The Issuer hereby covenants and agrees that it will, as an expense of construction, operation and maintenance of the System, procure, carry and maintain, so long as the Bond remains outstanding, insurance with a reputable insurance carrier or carriers covering the following risks and in the following amounts:

(a) Fire, Lightning, Vandalism, Malicious Mischief and Extended Coverage Insurance, to be procured upon acceptance of any part of the Project from the contractor, and immediately upon any portion of the System now in use, on all

above-ground structures of the System in an amount equal to the full insurable value thereof. In the event of any damage to or destruction of any portion of the System, the Issuer will promptly arrange for the application of the insurance proceeds for the repair or reconstruction of such damaged or destroyed portion. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance to protect the interests of the Issuer during construction of the Project in the full insurable value thereof.

(b) Public Liability Insurance, with limits of not less than $500,000 for one or more persons injured or killed in one accident to protect the Issuer from claims for bodily injury and/or death, and not less than $200,000 to protect the Issuer from claims for damage to property of others which may arise from the operation of the System, such insurance to be procured not later than the date of delivery of the Bond.

(c) Vehicular Public Liability Insurance, in the event the Issuer owns or operates any vehicle in the operation of the System, or in the event that any vehicle not owned by the Issuer is operated at any time or times for the benefit of the Issuer, with limits of not less than $500,000 for one or more persons injured or killed in one accident to protect the Issuer from claims for bodily injury and/or death, and not less than $200,000 to protect the Issuer from claims for damage to property of others which may arise from such operation of vehicles, such insurance to be procured prior to acquisition or commencement of operation of any such vehicle for the Issuer.

(d) Workers' Compensation Coverage for all Employees of the District Eligible Therefor and Performance and Payment Bonds, such bonds to be in the amounts of 100% of the construction contract, will be required of each prime contractor, and such payment bonds will be filed with the Clerk of the County Commission of said County prior to commencement of construction of the Project in compliance with West Virginia Code

Section 38-2-39. Workers' compensation insurance will be maintained as required by law.

(e) Fidelity Bonds will be provided as to every member of the Governing Body and as to every officer and employee thereof having custody of the Revenue Fund or of any revenues or other funds of the Issuer in an amount at least equal to the total funds in the custody of any such person at any one time, and initially in the amount of $50,000 upon the treasurer, provided, however, that no bond shall be required insofar as custody of the Project Construction Account is concerned so long as checks thereon require the signature of a representative of the Purchaser.

(f) Provided, however, and in lieu of and notwithstanding the foregoing provisions of this Section, during construction of the Project and so long as the Bond is outstanding, the Issuer will carry insurance and bonds or cause insurance and bonds to be carried for the protection of the Issuer, and during such construction will require each contractor and subcontractor to carry insurance, of such types and in such amounts as the Purchaser may specify, with insurance carriers or bonding companies acceptable to the Purchaser.

Section 5.06. Fiscal Year; Budget. While the Bond is outstanding and unpaid and to the extent not now prohibited by law, the System shall be operated and maintained on a Fiscal Year basis commencing on July 1 of each year and ending on the following June 30, which period shall also constitute the budget year for the operation and maintenance of the System. Not later than 30 days prior to the beginning of each Fiscal Year, the Issuer agrees to adopt the Annual Budget for the ensuing year, and no expenditures for operation and maintenance expenses of the System in excess of the Annual Budget shall be made during such Fiscal Year unless unanimously authorized and directed by the Governing Body. Copies of each Annual Budget shall be delivered to the Purchaser by the beginning of each Fiscal Year.

If for any reason the Issuer shall not have adopted the Annual Budget before the first day of any Fiscal Year, it shall adopt a Budget of Current Expenses from month to month until the adoption of the Annual Budget; provided, however, that no such monthly budget shall exceed the budget for the corresponding month in the year next

preceding by more than 10%; and provided further, that adoption of a Budget of Current Expenses shall not constitute compliance with the covenant to adopt an Annual Budget unless failure to adopt an Annual Budget be for a reason beyond the control of the Issuer. Each such Budget of Current Expenses shall be mailed immediately to the Purchaser.

Section 5.07. Covenant to Proceed and Complete. The Issuer hereby covenants to proceed as promptly as possible with the acquisition and construction of the Project to completion thereof in accordance with the plans and specifications prepared by the Consulting Engineer and on file with the Governing Body on the date of adoption hereof, subject to permitted changes.

Section 5.08. Books and Records; Audits. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and the Purchaser shall have the right at all reasonable times to inspect the System and all records, accounts and data of the Issuer relating thereto.

The Issuer shall, at least once a year, cause said books records and accounts of the System to be properly audited by an independent competent firm of certified public accountants and shall mail a copy of such audit report to the Purchaser. The Issuer further covenants to comply with the Act with respect to such books, records and accounts.

Section 5.09. Maintenance of System. The Issuer covenants that it will continuously operate, in an economical and efficient manner, and maintain the System as a revenue-producing utility as herein provided so long as the Bond is outstanding.

Section 5.10. No Competition. To the extent legally allowable, the Issuer will not permit competition with the System within its boundaries or within the territory served by it and will not grant or cause, consent to or allow the granting of any franchise, permit or other authorization for any person, firm, corporation, public or private body, agency or instrumentality whatsoever to provide any of the services supplied by the System within the boundaries of the Issuer or within the territory served by the System.

Section 5.11. Statutory Mortgage. For the further protection of the Holder of the Bond, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding and shall take effect immediately upon the delivery of the Bond.

Section 5.12. Events of Default. Each of the following events is hereby declared an "Event of Default":

(A) Failure to make payment of any monthly amortization installment upon the Bond at the date specified for payment thereof;

(B) Failure duly and punctually to observe or perform any of the covenants, conditions and agreements on the part of the Issuer contained in the Bond or herein, or violation of or failure to observe any provision of any pertinent law.

Section 5.13. Enforcement. Upon the happening of any Event of Default specified above, then, and in every such case, the Purchaser may proceed to protect and enforce its rights by an appropriate action in any court of competent jurisdiction, either for the specific performance of any covenant or agreement, or execution of any power, or for the enforcement of any proper legal or equitable remedy as shall be deemed most effectual to protect and enforce such rights.

Upon application by the Purchaser, such court may, upon proof of such default appoint a receiver for the affairs of the Issuer and the System. The receiver so appointed shall administer the System on behalf of the Issuer, shall exercise all the rights and powers of the Issuer with respect to the System, shall proceed under the direction of the court to obtain authorization to increase rates and charges of the System, and shall have the power to collect and receive all revenues and apply the same in such manner as the court may direct.

Section 5.14. Compensation of Members of Governing Body. The Issuer hereby covenants and agrees that no compensation for policy direction shall be paid to the members of the Governing Body in excess of the amount permitted by the Act. Payment of any compensation to any such member for policy direction shall not be made if such payment would cause the Net Revenues to fall below the amount required to meet all payments provided for herein, nor when there is default in the performance of or compliance with any covenant or provision hereof.

ARTICLE VI

RATES, ETC.

Section 6.01. Initial Schedule of Rates and Charges; Rules. A. The initial schedule of rates and charges for the services and facilities of the System, subject to change consonant with the provisions hereof, shall be as set forth in the Order of the Public Service Commission of West Virginia, entered on September 21, 1990, Case No. 89-564-PWD-CN, which order is incorporated herein by reference as a part hereof.

B. There shall not be any discrimination or differential in rates between customers in similar circumstances.

C. The Issuer may require any applicant for any service by the System to deposit a reasonable and equitable amount to insure payment of all charges for the services rendered by the System, which deposit shall be handled and disposed of under the applicable rules and regulations of the Public Service Commission of West Virginia.

D. The Issuer, to the extent permitted by law, will not accept payment of any water bill from a customer served with water and sewer services by the Issuer without payment at the same time of a sewer bill owed by such customer for the same premises.

E. All delinquent fees, rates and charges for services or facilities of the System shall be liens on the premises served of equal degree, rank and priority with the lien on such premises of state, county, school and municipal taxes, as provided in the Act. The Issuer shall have such remedies and powers as are provided under the Act and other applicable provisions of law with regard to the collection and enforcement of such rates and charges.

F. The Issuer will not render or cause to be rendered any free services of any nature by the System nor any of the facilities; and in the event that the Issuer or any department, agency, officer or employee thereof should avail itself or themselves of the services or facilities of the System, the same fees, rates and charges applicable to other customers receiving like services under similar circumstances shall be charged, such charges shall be paid as they accrue, and revenues so received shall be deposited and accounted for in the same manner as other Revenues of the System.

ARTICLE VII

MISCELLANEOUS

Section 7.01. Payment of Bond. If the Issuer shall pay, or there shall otherwise be paid, to the Holder of the Bond, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to the Bond, the pledge of Net Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owner of the Bond, shall thereupon cease, terminate and become void and be discharged and satisfied.

Section 7.02. Modification or Amendment. The Bond Legislation may not be modified or amended after final passage without the prior written consent of the Purchaser.

Section 7.03. Delivery of Bond No. R-1. The Chairman, Treasurer and Secretary of the Governing Body are hereby authorized and directed to cause Bond No. R-1, hereby awarded to the Purchaser pursuant to prior agreement, to be delivered to the Purchaser as soon as the Purchaser will accept such delivery.

Section 7.04. Severability of Invalid Provisions. If any one or more of the covenants, agreements or provisions hereof should be held contrary to any express provision of law or contrary to the policy of express law, although not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed severable from the remaining covenants, agreements or provisions hereof, and shall in no way affect the validity of all the other provisions hereof or the Bond.

Section 7.05. Conflicting Provisions Repealed. All orders or resolutions, or parts thereof, in conflict with the provisions hereof are, to the extent of such conflict, hereby repealed; provided that this Section shall not be applicable to the Loan Resolution (Form FmHA 442-47).

Section 7.06. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

Section 7.07. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required

to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Resolution do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State applicable thereto; and that the Chairman, Secretary and members of the Governing Body were at all times when any actions in connection with this Resolution occurred and are duly in office and duly qualified for such office.

Section 7.08. Effective Date. This Resolution shall take effect immediately upon its adoption.

Adopted: November 5, 1990.

Chairman

Karen Dawson
Member

Paul Rogers
Member

11/02/90
CRB.A4
16272/89001

CLAY ROANE PUBLIC SERVICE DISTRICT

BOND RESOLUTION

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF PUBLIC SERVICE PROPERTIES AND ISSUANCE OF PARITY WATER REVENUE BOND, SERIES 1997, OF THE CLAY ROANE PUBLIC SERVICE DISTRICT, IN THE AMOUNT OF $40,000, TO FINANCE THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS TO A PUBLIC WATER SYSTEM; DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BOND; PLACING LIMIT ON SALE OF SYSTEM; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES AND SECURITY OF THE HOLDER OF THE BOND; PROVIDING STATUTORY LIEN ON REVENUES AND SYSTEM; PROVIDING FOR THE ADOPTION, RATIFICATION, APPROVAL AND COLLECTION OF RATES AND CHARGES FOR THE PUBLIC WATER SYSTEM; AUTHORIZING EXECUTION OF A WATER PURCHASE CONTRACT; AND PROVIDING GENERAL TERMS AND PROVIDING WHEN THIS RESOLUTION SHALL TAKE EFFECT.

BE IT RESOLVED AND ORDERED BY THE PUBLIC SERVICE BOARD OF CLAY ROANE PUBLIC SERVICE DISTRICT, VALLEY FORK, WEST VIRGINIA:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS
AND DEFINITIONS

Section 1.01. Authority for this Resolution. This Resolution is adopted pursuant to the provisions of Article 13A, Chapter 16 of the West Virginia Code, as amended (the "Act") and other applicable provisions of law.

Section 1.02. Findings and Determinations. It is hereby found, determined and declared as follows:

A. Clay Roane Public Service District (the "PSD" or "Issuer") is a public service district created pursuant to the Act by orders issued by The County Commissions of Clay and Roane Counties, located in Clay and Roane Counties, West Virginia.

B. The Issuer now has a public water system and desires to improve and expand that system and it is deemed essential, convenient and desirable for the health, welfare, safety, advantage and convenience of the inhabitants of the Issuer and, accordingly, it is hereby ordered, that there be acquired and constructed certain additions, betterments and improvements to the existing public water system of the Issuer known as the "System" (sometimes referred to herein as the "System") so as to improve the public health, comfort and convenience of residents of the Public Service District, including the construction and installation of all necessary appurtenant facilities (the "Project"), and generally described as water line extensions, pumps, pumping stations, water plant improvements and necessary appurtenances particularly described in and according to the plans and specifications prepared by the Consulting Engineer for the Project and heretofore filed in the office of the Secretary of the Public Service Board (the "Governing Body") of the Issuer. The construction and acquisition of the Project and the financing hereby authorized and provided for are public purposes of the Issuer and are ordered for the purpose of meeting and serving public convenience and necessity.

C. It is necessary for the Issuer to issue its revenue bond in the aggregate principal amount of $40,000 to finance a portion of the cost of such construction in the manner hereinafter provided.

D. The estimated maximum cost of the construction of the Project is $390,000, which will be obtained from the proceeds of sale of the Series 1997 Bond herein authorized, from grants to be made by RUS, as hereinafter defined, and by the Clay County Commission, in the amounts of $288,000 and $60,000, respectively, and from an Issuer contribution of $2,000. The cost of such construction shall be deemed to include, without being limited to, the construction or acquisition of the Project, the acquisition of any necessary property, real or personal, or any interest therein; interest on the Bond prior to, during and for six (6) months after completion of such

construction to the extent that revenues of the System are not sufficient therefor; engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; and such other expenses as may be necessary or incidental to the construction of the Project and the financing authorized hereby.

E. The period of usefulness of the System after completion of the Project is not less than forty (40) years.

F. There is currently outstanding another obligation of the Issuer with which the Bond will rank on a parity as to lien and source of and security for payment which is the Water Revenue Bond of the Issuer, dated November 5, 1990 (the "1990 Bond") issued in the original principal amount of $450,000 secured under the terms of the 1990 Resolution (hereinafter defined).

With the exception of the bonds described above, there are no other outstanding bonds or obligations of the Issuer which will rank prior to or on a parity with the Bond as to lien, pledge and/or source of and security for payment.

G. The Issuer is not in default under the terms of the 1990 Resolution or any document in connection therewith, and has complied with all requirements of all the foregoing with respect to the issuance of parity bonds or has obtained a sufficient and valid waiver thereof.

H. The estimated revenues to be derived in each year from the operation of the System after completion of the Project will be sufficient to pay all the costs of the operation and maintenance of the System, the principal of and interest on the Bond (as hereinafter defined) and all debt service, reserve fund and other payments provided for herein.

I. The Issuer has complied with all requirements of West Virginia law relating to authorization of the construction, acquisition and operation of the Project and issuance of the Bond, or will have so complied prior to issuance of the Bond including, among other things, the imposition of rates and charges, the consent and approval, pursuant to the Act, of the issuance of the Bond by the Public Service Commission of West Virginia by final order.

J. It is in the best interests of the Issuer that the Bond be sold to the United States Department of Agriculture, Rural Development, acting on behalf of the Rural Utilities Service (the "Purchaser" or "RUS"), pursuant to the terms

and provisions of a letter of conditions dated July 24, 1995, and all amendments thereto (the "Letter of Conditions").

Section 1.03. Resolution to Constitute Contract. In consideration of the acceptance of the Bond by the Purchaser, this Resolution (the "Resolution") shall be deemed to be and shall constitute a contract between the Issuer and the Purchaser, and the covenants and agreements set forth herein to be performed by the Issuer shall be for the benefit, protection and security of the Registered Owner of the Bond.

Section 1.04. Definitions. The following terms shall have the following meanings herein unless the text otherwise expressly requires:

"Act" means Article 13A, Chapter 16 of the West Virginia Code, as amended.

"1997 Bond", "1997 Series Bond" or "Bond" means the $40,000 Clay Roane Public Service District, Water Revenue Bond (Varneytown Project), Series 1997, authorized by this resolution.

"Bonds" means the 1990 Bonds and the 1997 Bond.

"1990 Bonds" means the outstanding Bonds of the Issuer dated November 5, 1990, described in Section 1.02 F. herein.

"Chairman" means the Chairman of the Governing Body.

"Consulting Engineer" means Chapman Technical Group, St. Albans, West Virginia, or any qualified engineer or firm of engineers which shall at any time hereafter be retained by the Issuer as Consulting Engineer for the System.

"Costs" or "Costs of the Project" means those costs described in Section 1.02 hereof to be a part of the cost of acquisition and construction of the Project.

"Depository Bank" means initially the Clay County Bank, Clay, West Virginia, a bank or trust company which is a member of FDIC and its successors and assigns or such other qualified bank or trust company designated now or hereafter by Issuer.

"Facilities" or "water facilities" means all the land and tangible properties of the System and also any tangible properties which may hereafter be added to the water system by addition, betterments, extensions and improvements thereto and properties, furniture, fixtures or equipment therefor, hereafter at any time constructed or acquired.

"FDIC" means the Federal Deposit Insurance Corporation.

"Fiscal Year" means each year beginning on July 1 and ending on the succeeding June 30.

"Governing Body" means the Public Service Board of the Issuer.

"Government Obligations" means direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States of America.

"Herein" means in this Resolution.

"Holder of the Bond" or any similar term means any person who shall be the registered owner of the Bond.

"Issuer" or "PSD" means Clay Roane Public Service District, Clay and Roane Counties, West Virginia, and, where appropriate, also means the Governing Body.

"Letter of Conditions" means the Letter of Conditions of the United States Department of Agriculture, dated July 24, 1995, and any other amendments thereto.

"Net Revenues" means the balance of the gross revenues, as defined below, remaining after deduction only of Operating Expenses, as defined below.

"Operating Expenses" means the current expenses, paid or accrued, of operation and maintenance of the System and its facilities, and includes, without limiting the generality of the foregoing, insurance premiums, salaries, wages and administrative expenses of the Issuer relating and chargeable solely to the System, the accumulation of appropriate reserves for charges not annually recurrent but which are such as may reasonably be expected to be incurred, and such other reasonable operating costs as are normally and regularly included under recognized accounting practices, and retention of a sum not to exceed one-sixth of the budgeted operating expenses stated above for the current year as working capital, and language herein requiring payment of operating expenses means also retention of not to exceed such sum as working capital, provided that all monthly amortization payments upon the Bonds and into the Reserve Fund and Depreciation Reserve have been made to the last monthly payment date prior to the date of such retention.

"Project" shall have the meaning stated in Section 1.02 B. above.

"Purchaser", "RUS", acting on behalf of the Rural Utilities Service, means United States of America, Rural Utilities Service and any successor thereof.

"Qualified Investments" means and include any of the following:

(a) Government Obligations;

(b) Government Obligations which have been stripped of their unmatured interest coupons, interest coupons stripped from Government Obligations, and receipts or certificates evidencing payments from Government Obligations or interest coupons stripped from Government Obligations;

(c) Bonds, debentures, notes or other evidence of indebtedness issued by any of the following agencies: Banks for Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Government National Mortgage Association; Tennessee Valley Authority; or Washington Metropolitan Area Transit Authority;

(d) Any bond, debenture, note, participation certificate or other similar obligations issued by the Federal National Mortgage Association to the extent such obligation is guaranteed by the Government National Mortgage Association or issued by any other federal agency and backed by the full faith and credit of the United States of America;

(e) Time accounts (including accounts evidenced by time certificates of deposit, time deposits or other similar banking arrangements) which, to the extent not insured by the FDIC or Federal Savings and Loan Insurance Corporation, shall be secured by a pledge of Government Obligations, provided, that said Government Obligations pledged either must mature as nearly as practicable coincident with the maturity of said time accounts or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said time accounts;

(f) Money market funds or similar funds whose only assets are investments of the type described in paragraphs (a) through (e) above;

(g) Repurchase agreements, fully secured by investments of the types described in paragraphs (a) through (e) above, with banks or national banking associations which are members of FDIC or with government bond dealers recognized as primary dealers by the Federal Reserve Bank of New York, provided, that said investments securing said repurchase agreements either must mature as nearly as practicable coincident with the maturity of said repurchase agreements or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said repurchase agreements, and provided further that the holder of such repurchase agreement shall have a prior perfected security interest in the collateral therefor, must have (or its agent must have) possession of such collateral, and such collateral must be free of all claims by third parties;

(h) The West Virginia "consolidated fund" managed by the West Virginia State Board of Investments pursuant to Chapter 12, Article 6, of the West Virginia Code of 1931, as amended; and

(i) Obligations of states or political subdivisions or agencies thereof, the interest on which is excluded from gross income for federal income tax purposes, and which are rated at least "A" by Moody's Investors Service, Inc. or Standard & Poor's Corporation.

"Registrar" or "Bond Registrar" means the Issuer which usually shall act by its Secretary.

"Resolution" means this Resolution and all resolutions supplemental hereto.

"1990 Resolution" means the resolution providing for the 1990 Bond, adopted November 5, 1990.

"Revenues" or "gross revenues" means all rates, rents, fees, charges or other income received by the Issuer, or accrued to the Issuer or any department,

board, agency or instrumentality thereof in control of the management and operation of the System, from the operation of the System, and all parts thereof, all as calculated in accordance with sound accounting principles.

"Secretary" means the Secretary of the Governing Body.

"System" means the Project initially, and all existing water facilities owned by the Issuer and all Facilities and other property of every nature, real or personal, now or hereafter acquired and/or owned, held or used in connection with the System, including mains, hydrants, meters, valves, standpipes, storage tanks, pump tanks, pumping stations, intakes, wells, impounding reservoirs, pumps, machinery, purification plants, softening apparatus and all other facilities necessary, appropriate, useful, convenient or incidental in connection with or to a public water system; and shall also include any and all additions, extensions, improvements, replacements, properties or other facilities at any time acquired or constructed for said water system after completion of the Project.

"Tap Fees" means the fees, if any, paid by prospective customers of the system in order to connect thereto.

Words importing singular number shall include the plural number in each case and vice versa, and words importing persons shall include firms and corporations; words importing the masculine, feminine or neuter genders shall include any other gender; and any requirement for execution, sealing and/or attestation of the Bond or any certificate or other document by the Secretary shall mean that such Bond certificate or other document may be executed, sealed and/or attested by an Acting Secretary.

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized the acquisition and construction of the Project, at an estimated cost of $390,000 in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Bond hereby authorized shall be applied as provided in Article V hereof.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND ISSUANCE OF BOND

Section 3.01. Authorization of Bond. Subject and pursuant to the provisions hereof, the Bond of the Issuer to be known as "Clay Roane Public Service District Water Revenue Bond, Series 1997" in the principal amount of $40,000, is hereby authorized to be issued for the purpose of financing a portion of the cost of the construction and acquisition of the Project.

Section 3.02. Description of Bond. The Bond shall be issued as a single registered form, No. R-1, and shall be dated on the date of delivery. The Bond shall bear interest from date, payable monthly at a maximum rate of four and one half percent (4.50%) per annum or such lower rate that RUS will make available at closing, and shall be sold for the par value thereof but in no event greater than four and one half percent (4.50%) per annum.

The Bond shall be subject to prepayment of scheduled monthly installments, or any portion thereof, at the option of the Issuer and shall be payable as provided in the Bond form hereinafter set forth.

Section 3.03. Execution of Bond. The Bond shall be executed in the name of the Issuer by the Chairman and its corporate seal shall be affixed thereto and attested by the Secretary, and the Chairman and the Secretary are hereby authorized to execute the Bond and such other documents as are necessary to finalize this transaction. In case any one or more of the officers who shall have signed or sealed the Bond shall cease to be such officer of the Issuer before the Bond so signed and sealed have been actually sold and delivered, such Bond may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bond had not ceased to hold such office. Any Bond may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bond shall hold the proper office in the Issuer, although at the date of such Bond such person may not have held such office or may not have been so authorized.

Section 3.04. Negotiability, Registration, Transfer and Exchange of Bond. The Bond shall be and have all the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, but the Bond may only be transferred by transfer of the registration thereof upon the books required to be kept pursuant to Section 3.05 hereof, by the party in whose name it is registered, in person or by attorney duly authorized in writing, upon surrender of the Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Registrar. No interest in the Bond shall be transferable except by means of transfer of registration of a Bond representing such interest and delivery of a new Bond or Bonds in exchange therefor in.accordance with this Bond Resolution.

Whenever the Bond shall be surrendered for registration of transfer, the Issuer shall execute and deliver a new Bond or Bonds in authorized denominations, for a like aggregate principal amount. The Registrar shall require the payment by the new owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer, but the Issuer shall pay any other expenses incurred by the Registrar with respect to such transfer.

No registration of transfer of the Bond shall be permitted to be made after the 15th day next preceding any installment payment date on that Bond.

Section 3.05. Registrar. The Issuer shall be the Bond Registrar and will keep or cause to be kept by its agent at its office, sufficient books for the registration and transfer of the Bond, and upon presentation for such purpose, the Registrar shall, under such reasonable regulations as it may prescribe, register the Bond initially issued pursuant hereto and register the

transfer, or cause to be registered by its agent, on such books, the transfer of the Bond as hereinbefore provided.

The Registrar shall accept the Bond for registration or transfer only if ownership thereof is to be registered in the name of an individual (including joint ownership), a corporation, a partnership or a trust, and only upon receipt of the social security number of each individual, the federal employer identification number of each corporation or partnership or social security numbers of the settlor and beneficiaries of each trust and the name of the trustee of each trust and/or such other identifying number and information as may be required by law.

Section 3.06. Bond Mutilated, Destroyed, Stolen or Lost. In case the Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may in its discretion issue and deliver a new Bond of like tenor as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the holder's furnishing the Issuer proof of his, her or its ownership thereof and complying with such other reasonable regulations and conditions as the Issuer may require. The Bond so surrendered shall be canceled and held for the account of the Issuer. If the Bond shall have matured or be about to mature, instead of issuing a substitute Bond the Issuer may pay the same, and if such Bond be destroyed, stolen or lost, without surrender thereof.

Section 3.07. Bond Secured by Pledge of Revenues. The payment of the debt service of the Bond shall be secured forthwith by a parity lien with the 1990 Bond on the net revenues derived from the System in addition to the statutory mortgage lien on the System hereinafter provided for. The net revenues derived from the System in an amount sufficient to pay the principal of and interest on the Bond, and to make the payments as hereinafter provided, are hereby irrevocably pledged to the payment of the principal of and interest on the Bond as the same become due.

Section 3.08. Form of Bond. Subject to the provisions hereof, the text of the Bond and the other details thereof shall be of substantially the following tenor, with such omissions, insertions and variations as may be authorized or permitted hereby or any supplemental resolution adopted after the date of adoption hereof and prior to the issuance thereof:

(FORM OF BOND)

$40,000
CLAY ROANE PUBLIC SERVICE DISTRICT
WATER REVENUE BOND (VARNEYTOWN PROJECT),
SERIES 1997

No. R-1

Date: April __, 1997

FOR VALUE RECEIVED, the CLAY ROANE PUBLIC SERVICE DISTRICT, a public service district created pursuant to the Act by orders issued by The County Commissions of Clay and Roane Counties, in Clay and Roane Counties of said State (herein called "Issuer"), hereby promises to pay to the order of the United States of America (the "Government"), or its registered assigns at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of Forty Thousand and 00/100 Dollars ($40,000), plus interest on the unpaid principal balance at the rate of four and one half percent (4.5%) per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing on the 30th day following delivery of the Bond and continuing on the corresponding day of each month for the first twenty-four (24) months after the date hereof, and $184.00 covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of forty (40) years from the date of this Bond, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

If the total amount of the loan is not advanced at the time of loan closing, the loan shall be advanced to Issuer as requested by Issuer and approved by the Government, and interest shall accrue on the amount of each advance from its actual date as shown on the Record of Advances attached hereto and made a part hereof.

Every payment made on any indebtedness evidenced by this Bond shall be applied first to interest computed to the effective date of the payment and then to the principal.

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of Issuer. Refunds and extra payments, as defined in the regulations of the Rural Development, acting on behalf of the Rural Utilities Service, according to the source of funds involved, shall, after payment of interest, be applied to the installments last to become due under this Bond and shall not affect the obligation of Issuer to pay the remaining installments as scheduled herein.

If the Government at any time assigns this Bond and insures the payment thereof, Issuer shall continue to make payments to the Government as collection agent for the holder.

While this Bond is held by an insured lender, prepayments as above authorized made by Issuer may, at the option of the Government, be remitted by the Government to the holder promptly or, except for final payment, be retained by the Government and remitted to the holder on either a calendar quarter basis or an annual installment due date basis. The effective date of every payment made by Issuer, except payments retained and remitted by the Government on an annual installment due date basis, shall be the date of the United States Treasury check by which the Government remits the payment to the holder. The effective date of any prepayment retained and remitted by the Government to the holder on an annual installment due date basis shall be the date of the prepayment by Issuer, and the Government will pay the interest to which the holder is entitled accruing between the effective date of any such prepayment and the date of the Treasury check to the holder.

Any amount advanced or expended by the Government for the collection hereof or to preserve or protect any security herefor, or otherwise under the terms of any security or other instrument executed in connection with the loan evidenced hereby, at the option of the Government shall become a part of and bear interest at the same rate as the principal of the debt evidenced hereby and be immediately due and payable by Issuer to the Government without demand. Issuer agrees to use the loan evidenced hereby solely for purposes authorized by the Government.

Issuer hereby certifies that it is unable to obtain sufficient credit elsewhere to finance its actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in or near its community for loans for similar purposes and periods of time.

This Bond, together with any additional bonds ranking on a parity herewith which may be issued and outstanding for the purpose of providing funds for financing costs of construction of improvements to a water system (the "System") of the Issuer, is payable solely from the revenues to be derived from the operation of the System after there have been first paid from such revenues the reasonable current costs of operation and maintenance of the System. This Bond does not in any manner constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation.

Registration of this Bond is transferable by the registered owner hereof in person or by his, her or its attorney duly authorized in writing, at the office of the Issuer, as Bond Registrar, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the herein defined Bond Legislation, and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds, of authorized denomination or denominations, for the like principal amount, will be issued to the transferee in exchange herefor.

This Bond, under the provisions of the Act, is and has all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may only be transferred by transfer of registration hereof with the Bond Registrar.

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Article 13A of Chapter 16 of the West Virginia Code (herein called the "Act").

If at any time it shall appear to the Government that Issuer may be able to obtain a loan from a responsible cooperative or private credit source at reasonable rates and terms for loans for similar purposes and periods of time, Issuer will, at the Government's request, apply for and accept such loan in sufficient amount to repay the Government,

This Bond is given as evidence of a loan to Issuer made or insured by the Government pursuant to the Consolidated Farmers Home Rural Development Act, as amended. This Bond shall be subject to the present regulations of the Rural Development, acting on behalf of the Rural Utilities Service, successor in interest to the Farmers Home Administration, and to its future regulations not inconsistent with the express provisions hereof.

THIS BOND IS ON A PARITY AS TO LIEN AND SOURCE OF PAYMENT WITH THE WATER REVENUE BOND, SERIES 1990, OF THE ISSUER DESCRIBED IN THE RESOLUTION ISSUED WITH RESPECT TO SUCH SERIES.

The initial address of United States Department of Agriculture-Rural Development for purposes of bond registration is P.O. Box 678, Morgantown, WV 26505.

IN WITNESS WHEREOF, the CLAY ROANE PUBLIC SERVICE DISTRICT has caused this Bond to be executed by its Chairman and its corporate seal to be hereunto affixed or imprinted hereon and attested by its Secretary, all as of the date hereinabove written.

(SEAL)

CLAY ROANE PUBLIC SERVICE DISTRICT

By: _____
Chairman
P.O. Box 40
Valley Fork, WV 25283

ATTEST:

By: _____
Secretary

(Form Of)

RECORD OF ADVANCES

	AMOUNT	DATE		AMOUNT	DATE
(1)	$		(6)	$	
(2)	$		(7)	$	
(3)	$		(8)	$	
(4)	$		(9)	$	
(5)	$		(10)	$	

TOTAL $ _____

(Form of Assignment)

ASSIGNMENT

FOR VALUE RECEIVED the undersigned sells, assigns, and transfers unto the within Bond and does hereby irrevocably constitute and appoint _____, Attorney to transfer the said Bond on the books kept for registration of the within Bond of the said Issuer with full power of substitution in the premises.

DATED: _____.

_____

In the presence of:

_____

ARTICLE IV

(RESERVED)

ARTICLE V

REVENUES AND APPLICATION THEREOF; DISPOSITION OF BOND PROCEEDS; FUNDS AND ACCOUNTS

Section 5.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are created and established with (or continued if previously established by the 1990 Resolution) and shall be held by the Depository Bank, separate, distinct and apart from all other funds or accounts of the Depository Bank and from each other:

(1) Revenue Fund (established by the 1990 Resolution and continued hereby);

(2) Project Construction Account;

(3) Reserve Fund (established by the 1990 Resolution and continued hereby);

(4) Depreciation Reserve (established by the 1990 Resolution and continued hereby); and

(5) Sinking Fund.

Section 5.02. Bond Proceeds; Project Construction Account. All moneys received from the sale of the Bond shall be deposited upon receipt by the Issuer in the Depository Bank, a member of Federal Deposit Insurance Corporation (FDIC), in a special account hereby now established and designated as "Clay Roane Public Service District Water System Construction Account (herein called the "Project Construction Account"). The moneys in the Project Construction Account in excess of the amount insured by FDIC shall be secured at all times by such bank by securities or in a manner lawful for the securing of deposits of state and municipal funds under West Virginia law. Moneys in the Project Construction Account shall be expended by the Issuer solely for the purposes provided herein.

Until completion of the construction of the Project, the Issuer will transfer from the Project Construction Account and pay to the Purchaser on or before the due date, such sums as shall be from time to time required to make the monthly installment payments on the Bond if there are not sufficient Net Revenues to make such monthly payment.

If the Issuer shall determine at any time that all funds on deposit in the Project Construction Account exceed the estimated disbursements on account of the Project for the ensuing ninety (90) days, the Issuer may invest such excess funds in Qualified Investments.

Pending application as provided in this Section 5.02, money and funds in the Project Construction Account shall be invested and reinvested at the direction of the Issuer, to the extent possible in accordance with applicable law, in Qualified Investments.

When construction of the Project has been completed and all costs thereof have been paid or provision for such payment has been made, any balance remaining in the Project Construction Account shall be disposed of in accordance with the regulations of the Purchaser.

Section 5.03. Covenants of the Issuer as to Revenues and Funds. So long as any of the Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Reserve Fund, a sum sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of the Bonds remaining unpaid, together with interest accrued and to accrue thereon, the Issuer further covenants with the holder of the Bond as follows:

(A) Revenue Fund. The entire Gross Revenues derived from the operation of the System, and all parts thereof, and all Tap Fees received, shall be deposited as collected by the Issuer in a special fund in a bank or trust company in the State of West Virginia which is a member of FDIC, which Fund, known as the "Revenue Fund" is hereby established with the Depository Bank. The Revenue Fund shall constitute a trust fund for the purposes provided herein and shall be kept separate and distinct from all other funds of the Issuer and used only for the purposes and in the manner provided herein.

(B) Disposition of Revenues. All Revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following order and priority subject to the provisions of Section 3.03 of the 1990 Resolution:

(1) The Issuer shall first each month pay from the moneys in the Revenue Fund all current Operating Expenses.

(2) The Issuer shall next, each month, on or before the due date of payment of each installment on the Bonds, transfer from the Revenue Fund and remit to the National Finance Office designated in the Bond (or such other place as may be provided pursuant to the Bond), the amount required to pay the interest on the Bond, and to amortize the principal of the Bonds over the respective lives of each Bond issue. All payments with respect to principal of and interest the Bonds shall be made on an equal pro rata basis in accordance with the respective aggregate principal amount thereof outstanding and on a parity with each other. There is hereby created a sinking fund at the Depository Bank into which the Issuer shall deposit sufficient amounts from the Revenue Fund to pay the interest on the Bonds and to amortize the principal of the Bonds over the remaining respective lives of each Bond issue. As long as the Government owns the Bonds, such deposits can be replaced by the remittances described above.

(3) The Issuer shall next, on each date that payment is made as set forth in (2) above, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Reserve Fund herein created 1/12th of 1/10th of the amount, as of the date of calculation, equal to the maximum aggregate amount of principal and interest which will become due on the Bonds in any year until the amount in the

Reserve Fund equals such maximum amount (the "Reserve Requirement"). After the Reserve Fund Requirement has been accumulated in the Reserve Fund, the Issuer shall monthly deposit into the Reserve Fund such part of the moneys remaining in the Revenue Fund, after such provision for payment of monthly installments on the Bonds and for payment of Operating Expenses of the System, as shall be required to maintain the Reserve Requirement. Moneys in the Reserve Fund shall be used solely to make up any deficiency in monthly payments of the principal of and interest on the Bonds as the same shall become due or for prepayment of installments on the Bonds, or for mandatory prepayment of the Bonds as hereinafter provided, and for no other purpose, on an equal pro rata basis in accordance with the respective aggregate principal amounts thereof outstanding and on a parity with each other.

(4) The Issuer shall next, on each date that payment is made as set forth in (2) above, transfer from the Revenue Fund and deposit in the Depreciation Reserve, the moneys remaining in the Revenue Fund and not permitted to be retained therein, until there has been accumulated in the Depreciation Reserve the aggregate sum of $99,750 as required by the 1990 Resolution, and thereafter such sums as shall be required to maintain such amount therein. Moneys in the Depreciation Reserve, other than any sum or sums required to be transferred to the Earnings Fund pursuant to Section 3.03 of the 1990 Resolution, shall be used first to make up any deficiencies for monthly payments of principal of and interest on the Bonds as the same become due, and next to restore to the Reserve Fund any sum or sums transferred therefrom other than pursuant to Section 3.03 of the 1990 Resolution, all on a pro rata basis. Thereafter, and provided that payments into the Reserve Fund are current and in accordance with the foregoing provisions, moneys in the Depreciation Reserve other than any sum or sums required to be transferred to the Earnings Fund pursuant to Section 3.03 of the 1990 Resolution, may be withdrawn by the Issuer and used for extraordinary repairs and for replacements of equipment and improvements for the System, or any part thereof.

(5) After all the foregoing provisions for use of moneys in the Revenue Fund have been fully complied with, moneys remaining therein and not permitted to be retained therein, if any ("Surplus Revenues"), may be used to prepay installments of the Bonds, pro rata, or for any lawful purpose.

Whenever the money in the Reserve Fund (other than moneys required to be transferred to the Earnings Fund pursuant to Section 3.03 of the 1990 Resolution) shall be sufficient to prepay the Bonds in full, it shall be the mandatory duty of the Issuer, anything to the contrary herein notwithstanding, to prepay the Bonds at the earliest practical date and in accordance with applicable provisions hereof.

The Depository Bank is hereby designated as the Fiscal Agent for the administration of the Reserve Fund and the Depreciation Reserve, herein provided, and all amounts required for the Reserve Fund and the Depreciation Reserve will be deposited therein by the Issuer upon transfers of funds from the Revenue Fund at the times provided herein, together with written advice stating the amount remitted for deposit into each such fund.

All the funds provided for in this Section and the Earnings Fund, except with respect to the Excess Investment Earnings (as defined in the 1986 Resolution) in the Earnings Fund, which shall be held for rebate to the United States free from any such lien or trust, shall constitute trust funds and shall be used only for the purposes and in the order provided herein, and until so used, the Purchaser shall have a lien thereon (other than such Excess Investment Earnings in the Earnings Fund and the Rebate Fund as aforesaid) for further securing payment of the Bonds and the interest thereon, but the Depository Bank shall not be a trustee as to such funds. It is to be understood that all funds in the Rebate Fund shall be held free and clear of any such lien or trust and shall only be used for the purposes set forth in the 1990 Resolution notwithstanding anything else herein to the contrary.

If on any payment date the Revenues are insufficient to make the payments and transfers as hereinabove provided, the deficiency shall be made up in the subsequent payments and transfers in addition to those which would otherwise be required to be made on the subsequent payment dates.

Subject to the 1990 Resolution, the Depository Bank, at the direction of the Issuer, shall keep the moneys in the Reserve Fund and the Depreciation Reserve invested and reinvested to the fullest extent possible in accordance with applicable law, and to the extent practicable, in Qualified Investments having maturities consonant with the required use thereof. Investments in any fund or account under this Bond Resolution shall, unless otherwise provided herein or required by law, be valued at the lower of cost or the then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held by the "consolidated fund" managed by the West Virginia State Board of Investments. Any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account.

(C) Change of Depository Agent and Fiscal Agent. The Issuer may designate another bank or trust company insured by FDIC as Fiscal Agent and Depository Bank if the aforesaid Bank should cease for any reason to serve or if the Governing Body determines by ordinance that said Bank or its successor should no longer serve as Fiscal Agent or Depository Bank. Upon any such change, the Governing Body will cause notice of the change to be sent by registered or certified mail to the Purchaser.

(D) User Contracts. The Issuer shall, prior to delivery of the Bonds, provide evidence that there will be 290 bona fide users of the proposed System when the extension of the System is completed and placed in operation, and must obtain user agreements and the user contribution from each new user and deposit in the Project Construction Account all such new user contributions collected.

(E) Charges and Fees. The Issuer shall remit from the Revenue Fund to the Depository Bank such additional sums as shall be necessary to pay the charges and fees of the Depository Bank then due.

(F) Investment of Excess Balances. The moneys in excess of the sum insured by the maximum amounts insured by FDIC in any of such funds or accounts shall at all times be secured, to the full extent thereof in excess of such insured sum, in a lawful manner for securing deposits of state and municipal funds under the laws of the State.

(G) Remittances. All remittances made by the Issuer to the Depository Bank shall clearly identify the fund or account into which each amount is to be deposited.

(H) Gross Revenues. The Gross Revenues of the System shall only be used for purposes of the System.

ARTICLE VI

GENERAL COVENANTS

Section 6.01. General Statement. So long as the Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Reserve Fund a sum sufficient to prepay the entire principal of the Bonds remaining unpaid, together with interest accrued and to accrue thereon to the date of prepayment, the covenants and agreements contained herein shall be and constitute valid and legally binding covenants between the Issuer and the Purchaser.

Section 6.02. Rates. The Issuer will, in the manner provided in the Act, fix and collect such rates, fees or other charges for the services and facilities of the System, and revise the same from time to time whenever necessary, as will always provide revenues in each fiscal year sufficient to produce net revenues equal to not less than one hundred ten percent (110%) percent of the annual debt service on the Bonds and to make the payments required herein into the Reserve Fund and all the necessary expenses of operating and maintaining the System during such fiscal year and such rates, fees and other charges shall not be reduced so as to be insufficient to provide adequate revenues for such purposes.

Section 6.03. Sale of the System. The System will not be sold without the prior written consent of the Purchaser so long as the Bond is outstanding. Such consent will provide for disposition of the proceeds of any such sale.

Section 6.04. Issuance of Additional Parity Bonds or Obligations. No additional parity bonds or obligations payable out of the revenues of the System or any part thereof shall be issued after the issuance of the Bond pursuant hereto except with the prior written consent of the Purchaser or the then holder of or Trustee or agent for the holder of the Bond.

Section 6.05. Insurance and Bond. The Issuer hereby covenants and agrees that it will, as an expense of construction, operation and maintenance of the System, procure, carry and maintain, so long as the Bond remains outstanding, insurance with a reputable insurance carrier or carriers covering the following risks and in the following amounts:

(a) Real Property Insurance, to be procured upon acceptance of any part of the Project from the contractor, and immediately upon any portion of the System now in use, on all above-ground structures of the System in an amount equal to the full insurable value thereof. In the event of any damage to or destruction of any portion of the System, the Issuer will promptly arrange for the application of the insurance proceeds for the repair or reconstruction of such damaged or destroyed portion. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance to protect the interests of the Issuer during construction of the Project in the full insurable value thereof.

(b) Public Liability Insurance, with limits of not less than $500,000 for one or more persons injured or killed in one accident to protect the Issuer from claims for bodily injury and/or death, and not less than $200,000 to protect the Issuer from claims for damage to property of others which may arise from the operation of the System, such insurance to be procured not later than the date of delivery of the Bonds.

(c) Vehicular Public Liability Insurance, in the event the Issuer owns or operates any vehicle in the operation of the System, or in the event that any vehicle not owned by the Issuer is operated at any time or times for the benefit of the Issuer, with limits of not less than $500,000 for one or more persons injured or killed in one accident to protect the Issuer from claims for bodily injury and/or death, and not less than $200,000 to protect the Issuer from claims for damage to property of others which may arise from such operation of vehicles, such insurance to be procured prior to acquisition or commencement of operation of any such vehicle for the Issuer.

(d) Workers' Compensation Coverage for all Employees of the District Eligible Therefor and Performance and Payment Bonds, such bonds to be in the amounts of one hundred percent (100%) of the construction contract, will be required of each prime contractor, and such payment bonds will be filed with the Clerk of the County Commission of Clay County prior to commencement of construction of the Project in compliance with West Virginia Code Section 38-2-39. Workers' compensation insurance will be maintained as required by the laws of the State of West Virginia.

(e) Fidelity Bonds will be provided as to every member of the Governing Body and every officer and employee of the PSD having custody of the Revenue Fund or of any revenues or other funds of the System in an amount at least equal to the total annual debt service requirements for all outstanding RUS loans.

(f) Flood Insurance to be procured, to the extent available at reasonable cost to the Issuer.

(g) Provided, however, and in lieu of and notwithstanding the foregoing provisions of this Section, during construction of the Project and so long as the Bond is outstanding, the Issuer will carry insurance and bonds or cause insurance and bonds to be carried for the protection of the Issuer, and during such construction will require each contractor and subcontractor to carry insurance, of such types and in such amounts as the Purchaser may specify, with insurance carriers or bonding companies acceptable to the Purchaser.

Section 6.06. Statutory Mortgage. For the further protection of the holder of the Bond, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding and shall take effect immediately upon delivery of the Bond.

Section 6.07. Events of Default. Each of the following events is hereby declared an "Event of Default":

(A) Failure to make payment of any monthly amortization installment at the date specified for payment thereof and/or;

(B) Failure duly and punctually to observe or perform any of the covenants, conditions and agreements on the part of the Issuer contained in the Bond or herein, or violation of or failure to observe any provision of any pertinent law or of this or the other Bond Resolutions.

Section 6.08. Enforcement. Upon the happening of any Event of Default specified above, then, and in every such case, the Purchaser may proceed to protect and enforce its rights by an appropriate action in any court of competent jurisdiction, either for the specific performance of any covenant or agreement, or execution of any power, or for the enforcement of any proper legal or equitable remedy as shall be deemed most effectual to protect and enforce such rights and shall have all rights prescribed by the Act, W.Va. Code and other applicable law.

Upon application by the Purchaser, such court may, upon proof of such default, appoint a receiver for the affairs of the Issuer and the System. The Receiver so appointed shall administer the System on behalf of the Issuer, shall exercise all the rights and powers of the Issuer with respect to the System, shall proceed under the direction of the court to obtain authorization to increase rates and charges of the System, and shall have the power to collect and receive all revenues and apply the same in such manner as the court may direct.

Section 6.09. Fiscal Year; Budget. While the Bond is outstanding and unpaid and to the extent not now prohibited by law, the System shall be operated and maintained on a fiscal year basis commencing on July 1 of each year and ending on the following June 30, which period shall also constitute the budget year for the operation and maintenance of the System. Not later than thirty (30) days prior to the beginning of each fiscal year, the Issuer agrees to adopt an Annual Budget for the ensuing year, and no expenditures for operation and maintenance expenses of the System in excess of the Annual Budget shall be made during such fiscal year unless unanimously authorized and directed by the Governing Body. Copies of each Annual Budget shall be delivered to the Purchaser by the beginning of each fiscal year.

If for any reason the Issuer shall not have adopted an Annual Budget before the first day of any fiscal year, it shall adopt a Budget of Current Expenses from month to month until the adoption of an Annual Budget; provided, however, that no such monthly budget shall exceed the budget for the corresponding month in the year next preceding by more than ten percent (10%); and provided further, that adoption of a Budget of Current Expenses shall not constitute compliance

with the covenant to adopt an Annual Budget unless failure to adopt an Annual Budget be for a reason beyond the control of the Issuer. Each such Budget of Current Expenses shall be mailed immediately to the Purchaser.

Section 6.10. Compensation of Members of Governing Body. The Issuer hereby covenants and agrees that no compensation for policy direction shall be paid to the members of the Governing Body in excess of the amount permitted by the Act. Payment of any compensation to any such member for policy direction shall not be made if such payment would cause the Net Revenues to fall below the amount required to meet all payments provided for herein, nor when there is default in the performance of or compliance with any covenant or provision hereof.

Section 6.11. Covenant to Proceed and Complete. The Issuer hereby covenants to proceed as promptly as possible with the construction of the Project to completion thereof in accordance with the plans and specifications prepared by the Consulting Engineer and on file with the Secretary on the date of adoption hereof, subject to permitted changes.

Section 6.12. Books and Records; Audits. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and the Purchaser shall have the right at all reasonable times to inspect the System and all records, accounts and data of the Issuer relating thereto.

The Issuer shall, at least once a year, cause said books, records and accounts of the System to be properly audited by an independent competent firm of certified public accountants and shall mail a copy of such audit report to the Purchaser. The Issuer further covenants to comply with the Act with respect to such books, records and accounts.

Section 6.13. Maintenance of System. The Issuer covenants that it will continuously operate, in an economical and efficient manner, and maintain the System as a revenue-producing utility as herein provided so long as the Bond is outstanding.

Section 6.14. No Competition. To the extent legally allowable, the Issuer will not permit competition with the System within its boundaries or within the territory served by it and will not grant or cause, consent to or allow the granting of any franchise, permit or other authorization for any person, firm, corporation, public or private body, agency or instrumentality whatsoever to provide any of the services supplied by the System within the boundaries of the Issuer or within the territory served by the System.

ARTICLE VII

RATES, RULES, COVENANTS, ETC.

Section 7.01. Initial Schedule of Rates and Charges.

A. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth on an Order of the Public Service Commission dated September 21, 1990. in Case Number 89-564-PWD-CN, which order is incorporated herein by reference and is made a part hereof.

B. The Issuer hereby modifies and enacts to the extent necessary the rates and charges as set out in the above-referenced order and to be included on a tariff sheet to be filed with the Public Service Commission which rates and conditions are as follows:

Availability of Service
Available for general domestic, commercial and industrial service for the entire area served.

Rates
First 3,000 gals. @ $7.30 per 1,000 gals.
Next 3,000 gals. @ $7.10 per 1,000 gals.
Next 4,000 gals. @ $6.90 per 1,000 gals.
Next 10,000 gals. @ $6.70 per 1,000 gals.

Minimum charge
No bill shall be rendered for less than the following amounts according to the size of meter installed:

5/8" meter	$21.90 per month
3/4" meter	$32.85 per month
1" meter	$54.75 per month
1 1/2" meter	$109.50 per month
2" meter	$175.20 per month
3" meter	$328.50 per month
4" meter	$547.50 per month
6" meter	$1,095.00 per month
8" meter	$1,752.00 per month

Delayed Payment Penalty
The above tariff is net. On all accounts not paid in full within twenty (20) days of date of bill, ten percent (10%) will be added to net amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

If any bill is not paid within sixty (60) days after date, water service to the customer will be discontinued. Water service will not be restored until

all past due water bills have been paid in full and all accrued penalties plus a reconnection charge have been paid.

Connection Charge

A preconstruction connection charge of $100 is applicable to the Varneytown extension. Once construction is completed beyond the point of service to potential customers, the connection charge for all applicants will be $250.00.

Reconnection Charge

$20.00

Section 7.02. Water Purchase Contract. As required by the Letter of Conditions and as authorized by the Public Service Commission, the Issuer shall enter and is authorized to enter into a Water Purchase Contract with the Town of Clay to purchase treated water.

Section 7.03. Further Covenants.

The Issuer hereby further covenants and agrees as follows:

A. There shall not be any discrimination or differential in rates between customers in similar circumstances.

B. The Issuer may require any applicant for any service by the System to deposit a reasonable and equitable amount to insure payment of all charges for the services rendered by the System, which deposit shall be handled and disposed of under the applicable rules and regulations of the Public Service Commission of West Virginia.

C. The Issuer, to the extent permitted by law, will not accept payment of any water bill from a customer served with water and sewer services by the Issuer without payment at the same time of a sewer bill owed by such customer for the same premises.

D. All delinquent fees, rates and charges for services or facilities of the System shall be liens on the premises served of equal degree, rank and priority with the lien on such premises of state, county, school and municipal taxes, as provided in the Act. The Issuer shall have such remedies and powers as are provided under the Act and other applicable provisions of law with regard to the collection and enforcement of such fees, rates and charges.

E. The Issuer will not render or cause to be rendered any free services of any nature by the System nor any of the facilities; and in the event that the Issuer or any department, agency, officer or employee thereof should avail itself or themselves of the services or facilities of the System, the same fees, rates and charges applicable to other customers receiving like services under similar circumstances shall be charged, such charges shall be paid as they accrue, and revenues so received shall be deposited and accounted for in the same manner as other Revenues of the System.

ARTICLE VIII

MISCELLANEOUS

Section 8.01. Defeasance of Bond. If the Issuer shall pay or there shall otherwise be paid, to the Holder of the Bond, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Resolution, then with respect to the Bond, the pledge of Net Revenues and other moneys and securities pledged under this Bond Resolution and all covenants, agreements and other obligations of the Issuer to the Registered Owner of the Bond, shall thereupon cease, terminate and become void and be discharged and satisfied.

Section 8.02. Filing Under Uniform Commercial Code. Contemporaneously with the delivery of the Bond, the Issuer shall execute Financing Statements meeting the requirements of the Uniform Commercial Code of West Virginia and promptly thereafter shall file such Financing Statements in the offices of the Secretary of State of West Virginia and of the Clerk of the County Commission of Clay County.

Section 8.03. Delivery of Bond. The Chairman and Secretary of the Governing Body are hereby authorized and directed to cause the Series 1997 Bond, numbered R-1, hereby awarded to the Purchaser pursuant to prior agreement, to be delivered to the Purchaser as soon as the Purchaser will accept such delivery.

Section 8.04. Severability of Invalid Provision. If any one or more of the covenants, agreements or provisions hereof should be held contrary to any express provision of law or contrary to the policy of express law, although not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements or provisions hereof, and shall in no way affect the validity of all the other provisions hereof or the Bonds.

Section 8.05. Conflicting Provisions Repealed. All resolutions and orders, or parts thereof, in conflict with the provisions hereof are, to the extent of such conflicts, hereby repealed; provided that this Section shall not be applicable to the Loan Resolution (Form FmHA 442-47).

Section 8.06. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

Section 8.07. Modification or Amendment. The Bond Resolution may not be modified or amended in any material manner after final passage without the prior written consent of the Purchaser and/or holder of the Bond.

Section 8.08. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this

Resolution do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State applicable thereto; and that the Chairman, Secretary and members of the Governing Body were at all times when any actions in connection with this Resolution occurred and are duly in office and duly qualified for such office.

Section 8.09. Supplemental Resolutions. The Issuer may pass such supplemental resolutions, if necessary, to effectuate the purposes and intent of this Resolution.

Section 8.10. Effective Time. This Resolution shall take effect immediately upon its adoption.

Section 8.11 Statutory Notice of Meeting and Bond Issue. Notice of the date, time and place at which the Governing Body of the Issuer considered this Resolution for adoption was given at least ten (10) days in advance thereof by Class I legal advertisement in the Clay Free Press and The Times Record, newspapers of general circulation in the area served by the Issuer.

CLAY ROANE PUBLIC SERVICE DISTRICT

By: _____
Chairman

[SEAL]

Attest:

By: Paul Rogers
Secretary

CERTIFICATION

I, Paul Rogers, Secretary of the Clay Roane Public Service District, hereby certify that the foregoing is a true and correct copy of an Resolution approved at a meeting of the Public Service Board of the Clay Roane Public Service District held on April 4, 1997. I further hereby certify that the action of said Public Service Board set forth therein remains in full force and effect and has not been amended or repealed.

WITNESS my signature on this 4th day of April, 1997.

Paul Rogers
Secretary

STATE OF WEST VIRGINIA,

COUNTY OF CLAY, to-wit:

The foregoing instrument was acknowledged before me this 4th day of April, 1997, by T.G. Cruikshank, the Chairman of the Clay Roane Public Service District, a public service district created pursuant to the Act by an order issued by The County Commission of Clay County, on behalf of said public service district.

My commission expires Aug. 3, 2004.

OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
JUDY R. MOORE
P. O. BOX 169
CLAY, WV 25043
My Commission Expires Aug. 3, 2004

Judy R. Moore
NOTARY PUBLIC

PROCIOUS PUBLIC SERVICE DISTRICT

Water Revenue Bond, Series 1982

BOND RESOLUTION

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PROCIOUS PUBLIC SERVICE DISTRICT

A RESOLUTION AUTHORIZING THE ISSUANCE OF THE WATER REVENUE BOND, SERIES 1982, IN THE PRINCIPAL AMOUNT OF NOT IN EXCESS OF $192,000 OF THE PROCIOUS PUBLIC SERVICE DISTRICT TO FINANCE THE COST, NOT OTHERWISE PROVIDED, OF CONSTRUCTION OF A NEW WATERWORKS; DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF SAID BOND; PROVIDING GENERALLY FOR THE RIGHTS, REMEDIES AND SECURITIES OF THE HOLDER OF SAID BOND AND FOR A STATUTORY MORTGAGE LIEN UPON THE WATERWORKS IN FAVOR OF THE HOLDER OF SAID BOND; ADOPTING OTHER PROVISIONS RELATING TO SAID BOND; ESTABLISHING RATES AND CHARGES FOR SAID WATERWORKS AND PROVIDING WHEN THIS RESOLUTION SHALL TAKE EFFECT.

BE IT RESOLVED AND ORDERED BY THE PUBLIC SERVICE BOARD OF THE PROCIOUS PUBLIC SERVICE DISTRICT:

ARTICLE I

DEFINITIONS, STATUTORY AUTHORITY AND FINDINGS

Section 1.01. Definitions. The following terms shall have the following meanings in this Resolution unless the text otherwise expressly requires:

"Act" means Article 13A, Chapter 16, of the Code of West Virginia, 1931, as amended.

"Board" means the Public Service Board of the Procious Public Service District, the governing body of said District under the Act, and any successors to the functions thereof.

"Bond" or Bonds" means the Water Revenue Bond, Series 1982, originally authorized to be issued pursuant to this Resolution in the principal amount of not in excess of $192,000, and shall also be deemed to include, where appropriate, any additional parity Bonds issued pursuant to this Resolution.

"Certified Public Accountant not in the regular employ of the District" means Krisher and Krisher, certified public accountants, Charleston, West Virginia, or any other certified public accountant or firm of certified public accountants that shall at any time hereafter be retained by the Procious Public Service District to prepare an independent annual or special

audit of the accounts of said District or for any other purpose except keeping the accounts of said District in the normal operation of its business and affairs.

"Chairman" means the Chairman of the Board.

"Consulting Engineer" means Milam/BCM Engineering, Inc., Dunbar, West Virginia, or any qualified engineer or firm of engineers which shall at any time hereafter be retained by the District as Consulting Engineer for the System.

"District" means Procious Public Service District, of Clay County, West Virginia, and, where appropriate, also means the Board thereof.

"Facilities" or "waterworks facilities" means all the facilities of the System and also any facilities which may hereafter be added to the System by any additions, betterments, extensions and improvements thereto and properties, furniture, fixtures or equipment therefor, hereafter at any time constructed or acquired.

"Fiscal Year" means each year beginning on July 1 and ending on the succeeding June 30.

"Government" means the United States Department of Agriculture, Farmers Home Administration, and any successor thereof.

"Government Obligations" means direct obligations of, or obligations the timely payment of the principal of or interest on which is guaranteed by, the United States of America.

"Herein" means in this Resolution.

"Holder of the Bond" or "Bondholder" or any similar terms mean any person who shall be the bearer or owner of any outstanding Bond registered to bearer or not registered, or the registered owner of any outstanding Bond which shall at the time be registered other than to the bearer, or the bearer or owner of any coupons representing interest accrued or to accrue on said Bond.

"Net Revenues" means the balance of the Gross Revenues, as defined below, remaining after deduction only of Operating Expenses, as defined below.

"Operating Expenses" means the current expenses, paid or accrued, of operation and maintenance of the System and its facilities, and includes, without limiting the generality of the foregoing, insurance premiums, salaries, wages and administrative expenses of the District relating and chargeable solely to the System, as hereinafter defined, the accumulation of

appropriate reserves for charges not annually recurrent but which are such as may reasonably be expected to be incurred, and such other reasonable operating costs as are normally and regularly included under recognized accounting practices, and retention of a sum not to exceed one-sixth (1/6) of the budgeted operating expenses stated above for the current year as working capital, and language herein requiring payment of operating expenses means also retention of not to exceed such sum as working capital.

"Original Purchaser" means the purchaser, directly from the District, of the Water Revenue Bond, Series 1982, originally authorized to be issued pursuant to this Resolution in the principal amount of not in excess of $192,000, or of any part of such Bond.

"Project" shall have the meaning stated in Section 1.03(B) hereof and as described in Exhibit A.

"Revenues" or "Gross Revenues" means all rates, rents, fees, charges or other income received by the District, or accrued to the District, or any department, board, agency or instrumentality thereof in control of the management and operation of the System, from the operation of the System, and all parts thereof, all as calculated in accordance with sound accounting practices.

"Secretary" means the Secretary of the Board.

"Series 1982 Bond" means the Water Revenue Bond, Series 1982, originally authorized to be issued pursuant to this Resolution in the principal amount of not in excess of $192,000.

"System" means the complete waterworks system of the District consisting originally of the Project, including all water facilities owned by the District and all facilities and other property of every nature, real or personal, now or hereafter owned, held or used in connection with the waterworks and shall also include any and all additions, extensions, improvements, properties or other facilities at any time acquired or constructed for the System after completion of the Project.

Words importing singular number shall include the plural number in each case and vice versa, and words importing persons shall include firms and corporations.

Additional terms and phrases are defined in this Resolution as they are used. Accounting terms not specifically defined herein shall be given meaning in accordance with generally accepted accounting principles.

Section 1.02. Authority for This Resolution. This Resolution is adopted pursuant to the provisions of the Act and

other applicable provisions of law. The District is a public service district created pursuant to the Act by The County Commission of Clay County, West Virginia.

Section 1.03. Findings and Determinations. It is hereby found, determined and declared as follows:

(A) The District does not now have a public waterworks system.

(B) It is deemed essential, convenient and desirable for the health, welfare, safety, advantage and convenience of the inhabitants of the District, and, accordingly, it is hereby ordered, that there be constructed and acquired a new waterworks system of the District consisting of transmission and distribution lines, with all necessary appurtenant facilities, particularly described in and according to the plans and specifications prepared by the Consulting Engineer and heretofore filed in the office of the Secretary.

(C) It is necessary for the District to issue its Series 1982 Bond in the principal amount of not in excess of $192,000 to finance in part the costs of acquisition and construction of the Project in the manner hereinafter provided.

(D) The estimated maximum cost of the acquisition and the construction of the Project is $1,698,000, of which $192,000 will be obtained from the proceeds of sale of the Series 1982 Bond; $856,000 will be obtained from a grant from the Government; $488,900 will be obtained from a grant from the Appalachian Regional Commission; $85,000 will be obtained from a grant from The County Commission of Clay County; and $76,100 will be obtained from a grant from the West Virginia Housing Development Fund.

(E) The cost of the Project shall be deemed to include, without being limited to, the cost of acquisition or construction of the Project; the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest on the Series 1982 Bond prior to, during and for six months after completion of construction and acquisition of the Project; engineering, fiscal agents and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the Project; administrative expense; and such other expenses as may be necessary or incident to the financing authorized by this Resolution, the construction or acquistion of the Project or the placing of the same in operation.

(F) The period of usefulness of the System after completion of the Project will not be less than forty (40) years.

(G) There are not outstanding any obligations of the District which will rank superior to or on a parity with the Series 1982 Bond as to lien and source of and security for payment.

(H) The District has complied with all requirements of West Virginia law relating to authorization of the construction, acquisition and operation of the Project and issuance of the Series 1982 Bond, or will have so complied prior to issuance of the Series 1982 Bond, including, among other things, the consent and approval, pursuant to the Act, of the issuance of the Series 1982 Bond by the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which have expired.

Section 1.04. Resolution To Constitute Contract. In consideration of the acceptance of the Series 1982 Bond by the Government, this Resolution shall be deemed to be and shall constitute a contract between the District and such Bondholder, and the covenants and agreements set forth in this Resolution to be performed by the District shall be for the benefit, protection and security of the legal holders of all the Bonds, all of which shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided herein.

ARTICLE II

AUTHORIZATION OF THE PROJECT

Section 2.01. Authorization of the Project. There is hereby authorized the construction and acquisition of the Project discribed in Exhibit A hereto, plans and specifications for which have been prepared by the Consulting Engineer and heretofore filed in the office of the Secretary.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND ISSUANCE OF SERIES 1982 BOND

Section 3.01. Authorization of Series 1982 Bond. Subject and pursuant to the provisions of this Resolution, the Bond of the District, to be known as "Water Revenue Bond, Series 1982," is hereby authorized to be issued in the aggregate principal amount of not exceeding One Hundred Ninety-Two Thousand Dollars ($192,000) for the purpose of financing a part of the cost of the construction and acquisition of the Project.

Section 3.02. Description of Series 1982 Bond. The Series 1982 Bond shall be issued in single form, designated as No. R-1, and shall be dated on the date of delivery. The Series 1982 Bond shall bear interest from date, payable monthly at the rate of five percent (5%) per annum, and shall be sold for the par value thereof. If the Government is the Original Purchaser of the Series 1982 Bond, the aggregate principal amount of the Series 1982 Bond need not be paid to the District upon delivery to the Government of the Series 1982 Bond, but may be advanced to the District as requested by the District and approved by the Government; provided, however, that the Series 1982 Bond shall evidence only the indebtedness recorded on the Record of Advances incorporated in the Series 1982 Bond, and interest shall accrue only on the amount of each advance from the actual date thereof as listed in said Record of Advances.

The Series 1982 Bond shall be subject to prepayment of scheduled installments, or any portion thereof, at the option of the District, and shall be payable as provided in the Bond form hereinafter set forth. The Series 1982 Bond shall be subject to mandatory prepayment of scheduled installments, or any portion thereof, if, at any time the Government is the Holder thereof, it shall appear to the Government that the District is able to refinance the Series 1982 Bond by obtaining a loan for such purpose from responsible cooperative or private sources at reasonable rates and terms for loans for similar purposes and periods of time and if the Government shall request the District to refinance the principal amount of the Series 1982 Bond outstanding, in whole or in part. The Series 1982 Bond shall further be subject to mandatory prepayment of scheduled installments if the Government shall exercise its option to accelerate payment upon an Event of Default, as provided in Section 5.09 of this Resolution.

Section 3.03. Execution of Bonds. The Bonds shall be executed in the name of the District by the Chairman, and the corporate seal shall be affixed thereto or imprinted thereon and attested by the Secretary. The Bonds may be signed and

sealed on behalf of the District by such person as at the actual time of the execution of such Bonds shall hold the proper office on the Board, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Negotiability and Registration. The Bonds shall be and have all the qualities and incidents of negotiable instruments under the laws of the State of West Virginia. The Series 1982 Bond originally issued pursuant hereto shall be fully registered to the Government, and the Secretary is hereby appointed registrar for the Series 1982 Bond.

Section 3.05. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the District may in its discretion issue and deliver a new Bond of like tenor as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing the District proof of his ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the District may require. The Bond so surrendered shall be cancelled and held for the account of the District. If the Bond shall have matured or be about to mature the District may, instead of issuing a substitute Bond, pay the same, upon being indemnified as aforesaid, and, if such Bond be destroyed, stolen or lost, without surrender thereof.

Any such duplicate Bond issued pursuant to this section shall constitute an original, additional contractual obligation on the part of the District, whether or not the destroyed, stolen or lost Bond be at any time found by anyone, and such duplicate Bond shall be entitled to equal and proportionate benefits will all other Bonds issued pursuant to this Resolution.

Section 3.06. Form of Series 1982 Bond. Subject to the provisions of this Resolution, the text of the Series 1982 Bond and the other details thereof shall be of substantially the following tenor, with such omissions, insertions and variations as may be authorized or permitted by this Resolution or any subsequent resolution adopted prior to the issuance thereof:

(Form of Series 1982 Bond)

PROCIOUS PUBLIC SERVICE DISTRICT
WATER REVENUE BOND, SERIES 1982

$192,000

No. R-1 Date: _____

FOR VALUE RECEIVED, PROCIOUS PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia (herein called "Borrower") promises to pay to the order of the United States of America, acting through the Farmers Home Administration, United States Department of Agriculture (herein called the "Government"), at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of One Hundred Ninety-Two Thousand Dollars ($192,000), or such lesser amount reflected in the Record of Advances herein, plus interest on the unpaid principal balance at the rate of five per cent (5%) per annum. The said principal and interest shall be paid in the following installments on the following dates: Installments of interest only on the first day of each month for the first twenty-four months after the date hereof and, assuming the stated principal amount has then been advanced, as reflected in the Record of Advances herein, $943.00, covering principal and interest, thereafter on the first day of each month, except that the final installment shall be paid at the end of forty (40) years from the date of this Bond, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

If the total amount of the loan is not advanced at the time of loan closing, the loan shall be advanced to Borrower as requested by Borrower and approved by the Government, and interest shall accrue on the amount of each advance from its actual date as hereinafter listed.

Every payment made on any indebtedness evidenced by this Bond shall be applied first to interest computed to the effective date of the payment and then to principal.

Prepayments of scheduled installments, or any portion thereof, may be made at the option of Borrower. Refunds and extra payments, as defined in the regulations of the Government according to the source of funds involved, shall, after payment of interest, be applied to the installments last to become due under this Bond and shall not affect the obligation of Borrower to pay the remaining installments as scheduled herein.

If the Government at any time assigns this Bond and insures the payment thereof, Borrower shall continue to make payments to the Government as collection agent for the holder.

While this Bond is held by an insured lender, prepayments as above authorized made by Borrower may, at the option of the Government, be remitted by the Government to the holder promptly or, except for final payment, be retained by the Government and remitted to the holder on either a calendar quarter basis or an annual installment due date basis. The effective date of every payment made by Borrower, except payments retained and remitted by the Government on either a calendar quarter basis or an annual installment due date basis, shall be the date of the United States Treasury check by which the Government remits the payment to the holder. The effective date of any prepayment retained and remitted by the Government to the holder on either a calendar quarter basis or an annual installment due date basis shall be the date of the prepayment by Borrower, and the Government will pay the interest to which the holder is entitled accruing between the effective date of any such prepayment and the date of the Treasury check to the holder.

Any amount advanced or expended by the Government for the collection hereof or to preserve or protect any security herefor, or otherwise under the terms of any security or other instrument executed in connection with the loan evidenced hereby, at the option of the Government shall become a part of and bear interest at the same rate as the principal of the debt evidenced hereby and be immediately due and payable by Borrower to the Government without demand. Borrower agrees to use the loan evidenced hereby solely for purposes authorized by the Government.

This Bond is issued for the purpose of financing a part of the cost of construction and acquisition of a waterworks system of the Borrower (together with any improvements and extensions thereto, the "System"). Borrower hereby certifies that it is unable to obtain sufficient credit elsewhere to finance its actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in or near its area for loans for similar purposes and periods of time.

If at any time it shall appear to the Government that Borrower may be able to obtain a loan from a reasonable cooperative or private credit source at reasonable rates and terms for loans for similar purposes and periods of time, Borrower will, at the Government's request, apply for and accept such loan in sufficient amount to repay the Government.

This Bond, together with any additional bonds ranking on a parity herewith which may be issued and outstanding for the purpose of providing funds for financing costs of construction and acquisition of improvements and extensions to the

System, is payable solely from the revenues to be derived from the operation of such System after there have been first paid from such revenues the reasonable current costs of operation and maintenance of the System. This Bond does not in any manner constitute an indebtedness of the Borrower within the meaning of any constitutional or statutory provision or limitations.

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Article 13A of Chapter 16 of the Code of West Virginia, 1931, as amended.

This Bond is given as evidence of a loan to Borrower made or insured by the Government pursuant to the Rural Development Act of 1974. This Bond shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof. All provisions of the resolution authorizing the issuance of this Bond and the statutes under which this Bond is issued shall be deemed to be a part of the contract evidenced by this Bond to the same extent as if written fully herein.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond exist, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Borrower, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the revenues of the System of the Borrower has been pledged to and will be set aside as provided herein for the prompt payment of the principal of and interest on this Bond.

IN WITNESS WHEREOF, the said Procious Public Service District, Clay County, West Virginia, has caused this Bond to be signed by the Chairman of its Public Service Board and its corporate seal to be hereunto affixed and attested by the Secretary of its Public Service Board, all as of the date first above written.

PROCIOUS PUBLIC SERVICE DISTRICT
(Name of Borrower)

(Signature of Executive Official)

Chairman, Public Service Board
(Title of Executive Official)

P. O. Box 316
(Post Office Box No. or Street Address)

Clendenin, West Virginia 25045
(City, State and Zip Code)

[CORPORATE SEAL]

ATTEST:

(Signature of Attesting Official)

Secretary, Public Service Board
(Title of Attesting Official)

RECORD OF ADVANCES

	AMOUNT	DATE	AUTHORIZING OFFICER
(1)	$		
(2)	$		
(3)	$		
(4)	$		
(5)	$		
(6)	$		
(7)	$		
(8)	$		
(9)	$		
(10)	$		

TOTAL _____

Pay to the Order of _____

_____

UNITED STATES OF AMERICA
FARMERS HOME ADMINISTRATION

By _____

_____
(Title)

ARTICLE IV

SERIES 1982 BOND PROCEEDS, REVENUES AND APPLICATION THEREOF

Section 4.01. Series 1982 Bond Proceeds; Project Construction Account. All moneys received from the sale of the Series 1982 Bond shall be deposited on receipt by the District in the Clay County Bank, of Clay, West Virginia (herein called the "Bank"), a member of the Federal Deposit Insurance Corporation (herein called "FDIC"), in a special account hereby created and designated as "Procious Public Service District Construction Account" (herein called the "Project Construction Account"). The moneys in the Project Construction Account in excess of the amount insured by FDIC shall be secured at all times by such Bank by Government Obligations. The Project Construction Account shall constitute a trust fund, and moneys in the Project Construction Account shall be expended by the District solely for the purposes provided in this Resolution; provided, however, that payment of interim financing used for such purposes shall be considered as use for such purposes. Expenditures or disbursements from the Project Construction Account, except for legal, fiscal and engineering expenses and expenses in connection with the issuance and sale of the Series 1982 Bond shall be made only after such expenditures or disbursements shall have been approved in writing by the Consulting Engineer.

Until completion of construction of the Project, the District will transfer from the Project Construction Account and deposit in the Sinking Fund, not later than fifteen days prior to the next interest payment date, such sums as shall be from time to time required to pay the interest becoming due on the Series 1982 Bond on such interest payment date if moneys in the Sinking Fund are insufficient for such purpose.

If the District shall determine at any time that all funds on deposit in the Project Construction Account exceed the estimated disbursements on account of the Project for the ensuing ninety (90) days, the District may invest such excess funds in Government Obligations which shall mature not later than eighteen (18) months after the date of such investment. All such investments and the income therefrom shall be carried to the credit of the Project Construction Account.

When construction of the Project has been completed and all costs thereof have been paid or provision for such payment has been made, any balance remaining in the Project Construction Account shall first be used to refund promptly any overpayment made with respect to any federal grants, and any moneys then remaining in the Project Construction Account shall be promptly used to prepay installments of the Series 1982 Bond

or a portion thereof, and any residue shall be deposited in the Sinking Fund.

Section 4.02. Covenants of the District as to Revenues and Funds. So long as any of the Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Reserve Account hereinafter established a sum sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of the Series 1982 Bond, or such lesser amount reflected in the Record of Advances therein, and any additional parity Bonds remaining unpaid, together with interest accrued and to accrue thereon, the District further covenants with the Holders of the Bonds as follows:

(A) Revenue Fund. The entire Gross Revenues derived from the operation of the System, and all parts thereof, shall be deposited as collected by the District in a special fund, known as the "Procious Public Service District Revenue Fund" (herein called the "Revenue Fund"), which is hereby established with the Bank. The Revenue Fund shall constitute a trust fund for the purposes provided in this Resolution and shall be kept separate and distinct from all other funds of the District and used only for the purposes and in the manner provided in this Resolution.

(B) Disposition of Revenues. All revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following order and priority:

(1) The District shall first each month set aside in the Operation and Maintenance Fund hereby established with the Bank such sum as the Board shall determine, in accordance with its budget, to be necessary for Operating Expenses.

(2) The District shall next, by the fifteenth day of each month, transfer from the Revenue Fund and pay to the office and place designated in the Bond (herein called the "Sinking Fund") the amount as set forth in the Bond required to pay the interest on the Bond and to amortize the principal of the Bond over the life of the Bond issue.

(3) The District shall next, by the fifteenth day of each month, transfer from the Revenue Fund and deposit with the Bank in a Reserve Fund hereby established with said Bank, one-twelfth (1/12) of one-tenth (1/10) of the maximum amount of principal and interest becoming due on the Bond in any Fiscal Year until the amount in the Reserve Fund equals such maximum amount. After such maximum amount has been accumulated in the Reserve Fund, the District shall monthly deposit in the Reserve Fund such part of the moneys remaining in the Revenue Fund, after such provision for payment of Operating Expenses of the System and for payment of maturing principal of and interest on the Bond, as shall be required to maintain such maximum amount

in the Reserve Fund. Moneys in the Reserve Fund shall be used solely to make up any deficiency for monthly payments of the principal of and interest on the Bond as the same shall become due or for prepayment of installments or for mandatory redemption of Bonds of all series as hereinafter provided, and for no other purpose.

(4) The District shall next, by the fifteenth day of each month, transfer from the Revenue Fund and deposit in the Replacement Fund hereby established with the Bank, the moneys remaining in the Revenue Fund and not permitted to be retained therein, until there has been accumulated in the Replacement Fund the aggregate sum of $35,000 and thereafter such sums as shall be required to maintain such amount therein. Moneys in the Replacement Fund shall be used first to make up any deficiencies for monthly payments of principal of and interest on the Bond as the same become due, and next to restore to the Reserve Fund any sum or sums transferred therefrom. Thereafter, and provided that payments into the Reserve Fund are current and in accordance with the foregoing provisions, moneys in the Replacement Fund may be withdrawn by the District and used for repairs, replacements of equipment and improvements of the System, or any part thereof.

(5) After all the foregoing provisions for use of moneys in the Revenue Fund have been fully complied with, any moneys remaining therein may be used to prepay installments of the Bond outstanding, or for any lawful purpose.

Whenever the moneys in the Reserve Fund shall be sufficient to prepay the unpaid principal of the Bond outstanding, it shall be the mandatory duty of the District, anything to the contrary in this Resolution notwithstanding, to direct the Bank to pay the unpaid principal amount of the Bond at the earliest practical date and in accordance with applicable provisions hereof, including interest accrued and to accrue to the date of prepayment.

The aforesaid Bank (and any successor appointed by the District) is hereby designated as the fiscal agent (herein called the "Fiscal Agent") for the administration of the Reserve Fund and the Replacement Fund as herein provided, and all amounts required therefor will be deposited by the District upon transfers of funds from the Revenue Fund at the times provided herein, together with written advice stating the amount remitted for deposit into each such fund.

All the funds provided for in this section shall constitute trust funds and shall be used only for the purposes and in the order provided herein, and, until so used, the Bondholder shall have a lien thereon for further securing payment of the Bond and the interest thereon. The moneys in excess of the sum insured by FDIC in any of such funds shall at all times be secured, to the full extent thereof in excess of

such insured sum, in a manner lawful for securing deposits of state and municipal funds under the laws of the State of West Virginia.

If on any payment date the revenues are insufficient to place the required amount in any of the funds or accounts as hereinabove provided, the deficiency shall be made up in the subsequent payments in addition to those which would otherwise be required to be made into the funds or accounts on the subsequent payment dates.

The Fiscal Agent shall keep the moneys in the Reserve Fund and the Replacement Fund invested and reinvested to the fullest extent practicable in Government Obligations having maturities not exceeding two years. Earnings upon moneys in the Reserve Fund, so long as the maximum amount required to be accumulated therein is on deposit and maintained therein, shall be paid annually into the Revenue Fund by the Fiscal Agent.

(C) Change of Fiscal Agent. The District may designate another bank insured by FDIC as Fiscal Agent if the aforesaid Bank should cease for any reason to serve or if the Board determines by resolution that said Bank or its successor should no longer serve as Fiscal Agent. Upon any such change, the Board will cause notice of the change to be sent by registered or certified mail to the Government.

(D) User Contracts. The District shall, prior to delivery of the Series 1982 Bond, obtain user agreements from not less than 134 users in the area to be served by the Project, and shall collect not less than $6,700 based on a user contribution of $50.

ARTICLE V

GENERAL COVENANTS

Section 5.01. General Statement. So long as any of the Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Reserve Fund a sum sufficient to pay when due, or redeem or purchase prior to maturity, the entire principal of the Bonds remaining unpaid, together with interest accrued and to accrue thereon and any applicable redemption premiums, the covenants and agreements contained herein shall be and constitute valid and legally binding covenants between the District and the Bondholders.

Section 5.02. Rates. The District will, in the manner provided in the Act, fix and collect such rates, fees or other charges for the services and facilities of the System, and revise the same from time to time whenever necessary, as will always provide revenues in each Fiscal Year sufficient to produce Net Revenues equal to not less than 110% of the average annual debt service on the Bonds outstanding and to make the payments required herein for principal of and interest on the Bonds and into the Reserve Fund and the Replacement Fund during such Fiscal Year; and such rates, fees and other charges shall not be reduced so as to be insufficient to provide adequate revenues for such purposes.

Section 5.03. Sale of the System. The System may be sold, mortgaged, leased, or otherwise disposed of only with written consent of the Government, and such consent will specify the disposition of the proceeds of any such sale or transfer, as shall be allowable under the Act.

Section 5.04. Covenant Against Encumbrances. The District will not issue any obligations whatsoever, except additional parity Bonds hereinafter provided for, payable from the revenues of the System which rank prior to or equally as to lien on and source of and security for payment from such revenues with the Bonds; and all obligations hereafter issued by the District payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment from revenues, and in all other respects, to the Bonds.

Section 5.05. Issuance of Additional Parity Bonds. No additional parity Bonds, as in this section defined, payable out of the revenues of the System, shall be issued after the issuance of any Bonds pursuant to this Resolution.

(A) No such additional parity Bonds shall be issued except for the purposes of financing the costs of the construction or acquisition of extensions, additions and improvements

to the System or refunding Bonds issued hereunder, except as provided in subsection (F) of this section.

(B) No such additional parity Bonds shall be issued at any time, however, unless and until there has been procured and filed with the Secretary a written certification by a Certified Public Accountant not in the regular employ of the District, based upon the necessary investigation, reciting the conclusion that the Net Revenues actually derived from the System during the Fiscal Year immediately preceding the date of the issuance of such additional parity Bonds shall have been not less than one hundred twenty percent (120%) of the average aggregate amount which will mature or become due in any succeeding Fiscal Year for principal of and interest on the Series 1982 Bond then outstanding, and on any additional parity Bonds theretofore issued pursuant to the provisions contained in this Resolution then outstanding and on the additional parity Bonds then proposed to be issued. This limitation may be waived or modified by the written consent of Bondholders representing seventy-five percent (75%) of each series of the then outstanding Bonds issued pursuant hereto.

(C) Prior to or simultaneously with the issuance of any such additional parity Bonds, the District shall have entered into written contracts for the immediate acquisition or construction of such additions, extensions or improvements to the System which are to be financed by such additional parity Bonds.

(D) The term "additional parity Bonds," as used in this section, shall be deemed to mean additional bonds issued under the provisions and within the limitations of this section, payable from the Net Revenues of the System on a parity with the Series 1982 Bond or with Bonds which were issued pursuant to this section as additional parity Bonds, and all the covenants and other provisions of this Resolution (except as to details of such additional parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holder of the Series 1982 Bond and the Holders of any additional parity Bonds subsequently issued within the limitations of and in compliance with this section. All such Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the Net Revenues of the System, and their source of and security for payment from said revenues, without preference of any Bond or coupon over any other. The District shall comply fully with all the increased payments into the various funds created in this Resolution required for such additional parity Bonds, in addition to the payments required for Bonds theretofore issued hereunder. Redemption of Bonds prior to maturity, in the event that Bonds of more than one series are outstanding, shall as nearly as practical be on an equal pro rata basis reflecting the original amounts of each series.

(E) No additional parity Bonds shall be issued at any time unless all the payments into the respective funds provided for in this Resolution on Bonds then outstanding and all other payments provided for in this Resolution shall have been made or paid up as required to the date of issuance of the additional parity Bonds and the District shall have fully complied with all the covenants, agreements and terms of this Resolution or shall have remedied any deficiency in such compliance.

(F) Anything to the contrary in subsections (A), (B) and (C) of this section notwithstanding, additional parity Bonds may be authorized and issued by the District pursuant to supplemental resolution in the event that the Series 1982 Bond should be insufficient, together with other funds lawfully available therefor, to pay all costs of construction of the Project. Any such additional parity Bonds authorized and issued under the provisions of this subsection shall be limited to the aggregate principal amount required to make up any deficiency in funds for payment of such construction costs, and the maturities of any such additional parity Bonds shall be in years and amounts suggested by the Original Purchaser.

Section 5.06. Insurance and Bonds. The District hereby covenants and agrees that so long as any of the Bonds remain outstanding, it will, as an expense of operation and maintenance of the System, procure, carry and maintain insurance with a reputable insurance carrier or carriers covering the following risks and in the following amounts:

(a) Fire, Lightning, Vandalism, Malicious Mischief and Extended Coverage Insurance, to be procured upon acceptance of any part of the Project from the contractor, on all aboveground structures of the System in an amount equal to the actual cost thereof. In the event of any damage to or destruction of any portion of the System, the District will promptly arrange for the application of the insurance proceeds for the repair or reconstruction of such damaged or destroyed portion. The District will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance to protect the interests of the District during construction of the Project in the full insurable value thereof.

(b) Public Liability Insurance, with limits of not less than $500,000 for personal liability to protect the District from claims for bodily injury and/or death, and not less than $200,000 from claims for damages to property of others which may arise from the District's operation of the System, such insurance to be procured at the commencement of construction of the Project.

(c) Vehicular Public Liability Insurance, in the event the District owns or operates any vehicle in the operation of the System, or in the event that any vehicle not owned by the District is operated for the benefit of the District,

with limits of not less than $500,000 for personal liability to protect the District from claims for bodily injury and/or death, and not less than $200,000 from claims for damage to property of others which may arise from such operation of vehicles, such insurance to be procured prior to acquisition or commencement of operation of any such vehicle.

(d) Workmen's Compensation Coverage will be required for all employees of the District eligible therefor and Performance and Payment Bonds, such bonds to be in the amounts of 100% of the construction contract, will be required of each prime contractor, and such payment bonds will be filed with the Clerk of The County Commission of Clay County prior to commencement of construction of the Project in compliance with Chapter 38, Article 2, Section 39, of the Code of West Virginia, 1931, as amended.

(e) Fidelity Bonds shall be provided as to every member of the Board and as to every officer and employee thereof having custody of the Revenue Fund or of any revenues or other funds of the District in an amount at least equal to the total funds in the custody of any such person at any one time, and initially in the amount of $20,000 and to be increased thereafter as necessary to cover the maximum amount of funds under control of that position at any one time.

(f) Provided, however, and in lieu of and notwithstanding the foregoing provisions of this section, during construction of the Project and so long as the Government holds any of the Bonds, the District will carry insurance and bonds or cause insurance and bonds to be carried for the protection of the District and during such construction will require each contractor and subcontractor to carry insurance of such types and in such amount as the Government may specify, with insurance carriers or bonding companies acceptable to the Government.

Section 5.07. Statutory Mortgage. For the further protection of the Holders of the Bonds and the coupons appertaining thereto, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding and shall take effect immediately upon delivery of any of the Bonds.

Section 5.08. Events of Default. Each of the following events is hereby declared an "Event of Default":

(A) Failure to make payment of the principal of, and, if any premium be due, of such premium on, any of the Bonds either at the date therein specified for their payment, or on the date fixed for redemption by proceedings for redemption, or otherwise;

(B) Failure to make payment of any installment of interest due on any of the Bonds on the date specified for the payment of such interest;

(C) Failure duly and punctually to observe or perform any of the covenants, conditions and agreements on the part of the District contained in the Bonds or in this Resolution, or violation of or failure to observe any provision of any pertinent law, provided any such failure or violation, excluding those covered in (A) and (B) above in this section, shall continue for a period of thirty (30) days after written notice shall have been given to the District by any Bondholder specifying such failure or violation and requiring the same to be remedied; provided, however, a default under any other agreement which the District has with the Government shall constitute an Event of Default hereunder.

Section 5.09. Enforcement. Upon the happening of any Event of Default specified above, then, and in every such case, if the Government is the Holder of any of the Bonds outstanding, the Government may, at its option, declare the entire principal amount of the Bonds held by it then outstanding, and any interest accrued thereon, immediately due and payable. Upon the happening of any Event of Default specified above, then, and in every such case, any Bondholder may proceed to protect and enforce the rights of the Bondholders by an appropriate action in any court of competent jurisdiction, either for the specific performance of any covenant or agreement or execution of any power, or for the enforcement of any proper legal or equitable remedy as shall be deemed most effectual to protect and enforce such rights.

Upon application by such Bondholder, such court may, upon proof of such default, appoint a receiver for the affairs of the District and the System. The receiver so appointed shall administer the System on behalf of the District, shall exercise all the rights and powers of the District with respect to its System and shall have the power to collect and receive all revenues and apply the same in such manner as the court may direct.

Section 5.10. Fiscal Year; Budget. While any Bonds are outstanding and unpaid and to the extent not prohibited by law, the System shall be operated and maintained on a fiscal year basis commencing on July 1 of each year and ending on the following June 30, which period shall also constitute the budget year for the operation and maintenance of the System. Not later than thirty (30) days prior to the beginning of each Fiscal Year, the District agrees to adopt the annual budget for the ensuing year, and no expenditures for operation and maintenance expenses of the System in excess of the annual budget shall be made during such Fiscal Year unless unanimously authorized and directed by the Board. Copies of each annual

budget shall be delivered to the Government by the beginning of each Fiscal Year.

If for any reason the District shall not have adopted the annual budget before the first day of any Fiscal Year, it shall adopt a budget of current expenses from month to month until the adoption of the annual budget; provided, however, that no such monthly budget shall exceed the budget for the corresponding month in the year next preceding by more than ten percent (10%); and provided further, that adoption of a budget of current expenses shall not constitute compliance with the covenant to adopt an annual budget unless failure to adopt an annual budget be for a reason beyond the control of the District. Each such budget of current expenses shall be mailed immediately as in the case of the annual budget.

Section 5.11. Compensation of Board Members. The District hereby covenants and agrees that no compensation for policy direction shall be paid to the members of its Board in excess of the amount permitted by the Act. Payment of any compensation to any member of the Board for policy direction shall not be made if such payment would cause the Net Revenues to fall below the amount required to meet all payments provided for herein, nor when there is default in the performance of or compliance with any covenant or provision of this Resolution.

Section 5.12. Covenant to Proceed. The District hereby covenants to proceed as promptly as possible with the construction of the Project in accordance with the plans and specifications prepared by the Consulting Engineer and on file with the Secretary of the Board.

Section 5.13. Books and Records. The District will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the District, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Bond or Bonds, his agents and representatives, shall have the right at all reasonable times to inspect the System and all records, accounts and data of the District relating thereto.

The District shall, at least once a year, cause said books, records and accounts of the System to be properly audited by an independent competent firm of certified public accountants, shall mail a copy of such audit report to the Government and the original purchaser of the Bonds, and shall make available the report of said accountants at all reasonable times to any Holder or Holders of the Bonds, or any customer receiving services from the System, or anyone acting for and in behalf of such Bondholder, Bondholders or customer.

Section 5.14. Maintenance of System. The District covenants that it will continuously operate, in an economical and efficient manner, and maintain the System as a

revenue-producing utility as herein provided so long as any of the Bonds are outstanding.

Section 5.15. No Competition. The District will not permit competition with the System within its boundaries or within the territory served by it and will not grant or cause, consent to, or allow the granting of any franchise, permit or other authorization for any person, firm, corporation, public or private body, agency or instrumentality whatsoever to provide any of the services supplied by the System within the boundaries of the District or within the territory served by the System.

Section 5.16. Concerning Arbitrage. The District specifically covenants that the proceeds of sale of the Series 1982 Bond will not be invested in such a way as to violate the operating rules in the regulations of the Internal Revenue Service or of the Treasury Department of the United States of America in connection with the arbitrage provisions of Section 103(c) of the Internal Revenue Code of 1954, as amended. The Fiscal Agent is hereby expressly instructed not to violate such rules in investing such proceeds.

Section 5.17. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Bonds shall be secured forthwith equally and ratably by a first lien on the Net Revenues derived from the System, in addition to the statutory mortgage lien on the System hereinbefore provided. The Net Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Bonds, and to make other payments as hereinafter provided, are hereby irrevocably pledged to the payment of the principal of and interest on the Bond as the same become due.

Section 5.18. Bonds Not To Be Indebtedness. Neither the Bonds nor coupons appertaining thereto shall be or constitute an indebtedness of the District within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the Net Revenues of the System and the proceeds of the Bonds, all as more expressly herein provided. No Holder or Holders of any Bonds issued hereunder, or of any coupon appertaining thereto, shall ever have the right to compel the exercise of the taxing power, if any, of the District to pay said Bonds or the interest thereon.

ARTICLE VI

RATES, ETC.

Section 6.01. Initial Schedule of Rates and Charges; Rules. (A) The initial schedule of rates and charges for the services and facilities of the System, applicable in the entire territory served, shall be as follows:

AVAILABILITY OF SERVICE

Available for general domestic, commercial, and industrial service.

RATE

First 3,000 gallons used per month	$ 6.50 per 1,000 gallons
Next 3,000 gallons used per month	6.30 per 1,000 gallons
Next 4,000 gallons used per month	6.10 per 1,000 gallons
Next 10,000 gallons used per month	5.90 per 1,000 gallons
Over 20,000 gallons used per month	5.70 per 1,000 gallons

MINIMUM CHARGE

No bill will be rendered for less than the following amounts, according to the size of the meter installed, to-wit:

5/8 inch meter	$ 19.50 per month
3/4 inch meter	29.25 per month
1 - inch meter	48.75 per month
1-1/2 inch meter	97.50 per month
2 - inch meter	156.00 per month
3 - inch meter	292.00 per month
4 - inch meter	487.50 per month
6 - inch meter	975.00 per month

(minimum monthly bill $19.50 for 3,000 gallons)

DELAYED PAYMENT PENALTY

The above tariff is net. Any account not paid in full within twenty (20) days of date of bill, ten percent (10%) will be added to the amount due. This delayed payment penalty is not interest and is only to be collected once for each bill where it is appropriate.

CONNECTION CHARGE

Prior to award of construction contract - $50. Subsequent to award of construction contract - there shall be a charge for connection to the System of One Hundred and Fifty Dollars ($150.00).

RECONNECTION CHARGE

Ten Dollars ($10.00).

(B) Except as otherwise required by governmental regulation, there shall not be any discrimination or differential in rates between customers in similar circumstance.

(C) All delinquent fees, rates and charges for services or facilities of the System shall be liens on the premises served of equal degree, rank and priority with the lien on such premises of state, county, school and municipal taxes, as provided in the Act. When such fees, rates and charges have been delinquent for thirty days, the District shall have power forthwith to foreclose the lien on the premises served in the same manner provided by the laws of the State of West Virginia for the foreclosure of mortgages on real property, subject to any limitations prescribed by the Act.

(D) The District will not render or cause to be rendered any free service of any nature by the System nor any of the facilities; and in the event that the District or any department, agency, officer or employee thereof should avail itself or himself of the services or facilities of the System, the same fees, rates and charges applicable to other customers receiving like services under similar circumstances shall be charged, such charges shall be paid as they accrue, and revenues so received shall be deposited and accounted for in the same manner as other revenues of the System.

(E) The District may require any applicant for any service by the System to deposit a reasonable and equitable amount to insure payment of all charges for the services rendered by the System, which deposit shall be handled and disposed of under the applicable rules and regulations of the Public Service Commission of West Virginia.

(F) No allowance or adjustment in any bill for use of the service and facilities of the System shall be made for any leakage occurring on the customer's side of any water meter.

(G) The District shall not be liable to any customer for any damage resulting from bursting or breakage of any line, main, pipe, valve, equipment or part or from discontinuance of the operation of any part of the System or from failure of any part thereof for any cause whatsoever.

(H) In case of emergency, the District shall have the right to restrict the use of any part of the System in any reasonable manner for the protection of the System and the inhabitants of the District.

(I) The fees, rates and charges above provided will be increased whenever such increase is necessary in order to

comply fully with all provisions of this Resolution, and the District shall always be obligated to and shall fix, establish and collect fees, rates and charges for the services and facilities of the System which shall at all times be sufficient to provide Net Revenues to meet its obligations hereunder, but never less than 110% of the average annual debt service on all Bonds outstanding.

ARTICLE VII

MISCELLANEOUS

Section 7.01. Delivery of Bond No. R-1. The Chairman, Secretary and Treasurer of the Board are hereby authorized and directed to cause Bond No. R-1, representing all the Series 1982 Bond issue, hereby awarded to the Government pursuant to agreement, to be delivered to the Government as soon as the Government will accept such delivery and pay for Bond No. R-1; provided, however, that the Government may, rather than pay the entire principal amount of the Series 1982 Bond to the District upon delivery of the Series 1982 Bond to the Government, advance such amounts as may from time to time be requested by the District and approved by the Government; provided, further, however, that Bond No. R-1 shall evidence only the indebtedness recorded on the Record of Advances incorporated therein and that interest shall accrue only on the amount of each advance from the actual date thereof as listed on said Record of Advances.

Section 7.02. Modification or Amendment. No material modification or amendment of this Resolution, or of any resolution amendatory hereof or supplemental hereto, may be made without the consent in writing of the Holders of two-thirds (2/3) or more in principal amount of the Bonds then outstanding; provided, however, that no modification or amendment shall permit a change in the maturity of any of the Bonds or a reduction in the rate of interest thereon, or in the amount of the principal obligation, or affecting the unconditional promise of the District to pay the principal of and interest on the Bonds as the same shall become due from the Net Revenues of the System, without the consent of the Holders of such Bonds. Notwithstanding the above, no amendment or modification shall be made without the unanimous consent of the Bondholders which would reduce the percentage of the principal amount of Bonds required for consent to the above-permitted amendments or modifications or the seventy-five (75) percentage required for consent to a waiver or modification of the limitation upon issuance of additional parity bonds contained in Section 5.05(B).

Section 7.03. Defeasance. If the District shall pay or cause to be paid, or there shall otherwise be paid, to the holders of all Bonds and coupons the principal thereof, and redemption premium, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then the pledge of any revenues and other moneys and securities pledged under this Resolution and all covenants, agreements and other obligations of the District to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds or coupons for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the paying agent at the same or earlier time, shall be sufficient, to pay, as and when due, the principal of and interest on such Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Bonds and all coupons appertaining to such Bonds shall prior to the maturity or prepayment or redemption thereof be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited irrevocably in trust with the Bank either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited irrevocably in trust with the Bank at the same time, shall be sufficient, to pay when due the principal of and redemption premium, if applicable, and interest due and to become due on said Bonds on and prior to the redemption or prepayment date or maturity date thereof, as the case may be, and, in the event said Bonds are not by their terms subject to redemption or prepayment or are not to be redeemed or prepaid within the next succeeding sixty (60) days, the District shall have published, or shall have made arrangments satisfactory to the Bank to publish, as soon as practicable, a notice to the holders of such Bonds and coupons that the deposit required above has been made with the Bank and that said Bonds and coupons are deemed to have been paid in accordance with this section and stating such maturity or redemption or prepayment date upon which moneys are to be available for the payment of the principal of, interest on, and redemption premium, if applicable, on said Bonds. Neither securities nor moneys deposited with the Bank pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and redemption premium, if applicable, on and interest on said Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Bank, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal of and redemption premium, if applicable, on and interest to become due on said Bonds on and prior to such redemption or prepayment date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the District, as received by the Bank, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

Section 7.04. Severability of Invalid Provision. If any one or more of the covenants, agreements or provisions of

this Resolution should be held contrary to any express provision of law or contrary to the policy of express law, although not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements or provisions, and shall in no way affect the validity of all the other provisions of this Resolution or the Bonds or coupons appertaining thereto.

Section 7.05. Conflicting Provisions Repealed. All resolutions and orders, or parts thereof, in conflict with the provisions of this Resolution, are, to the extent of such conflicts, hereby repealed; provided, however, any loan resolution, or part thereof, adopted by the District on Form FmHA 442-47 shall not be repealed hereby.

Section 7.06. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

Section 7.07. Effective Date. This Resolution shall take effect immediately upon its adoption.

Adopted September 24, 1982.

Chairman of Public Service Board

Member

Member

EXHIBIT A

The Project consists of approximately ten and one-half (10-1/2) miles of water distribution line, two 5,000-gallon storage tanks, one pressure reducer, one 30-gallon per minute booster station and one 80-gallon per minute treatment plant. Raw water will be taken from the Elk River into the plant, where it will be treated, filtered and pumped into the System.

USDA UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT

75 High Street Federal Building, Suite 320, Morgantown, WV 26505-7500
304.284.4860 • 1.800.295.8228 • fax 304.284.4893 • TTY/TDD 304.284.4836

CLAY ROANE PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS,
SERIES 2004 A (WEST VIRGINIA INFRASTRUCTURE FUNDS) AND
SERIES 2004 B (UNITED STATE DEPARTMENT OF AGRICULTURE)

CONSENT TO ISSUANCE OF PARITY BONDS

The undersigned duly authorized representative of the United States of America, acting through the United States Department of Agriculture, Rural Development, the registered owner of the Prior Bonds, hereinafter defined and described, hereby (i) consents to the issuance of the Water Revenue Bonds, Series 2004 A (West Virginia Infrastructure Fund), in the original aggregate principal amount of $1,000,000, and Water Revenue Bonds, Series 2004 B (United States Department of Agriculture), in the original aggregate principal amount of $360,000 (collectively, the "Series 2004 Bonds"), by Clay Roane Public Service District (the "Issuer"), under the terms of the resolutions authorizing the Series 2004 Bonds (collectively, the "Resolution"), on a parity as to liens, pledge and source of and security for payment with the Issuer's Water Revenue Bond, Series 1990, and Water Revenue Bond (Varneytown Project), Series 1997, and Water Revenue Bond, Series 1982, issued by the Procious Public Service District and assumed by the Issuer in connection with its acquisition of Procious Public Service District (collectively, the "Prior Bonds"); (ii) waives any requirements imposed by the Prior Bonds or the resolutions authorizing the Prior Bonds (the "Prior Resolutions"), regarding the issuance of parity bonds which are not met by the Series 2004 Bonds or the Resolution; and (iii) consents to any amendments made to the Prior Resolutions by the Resolution.

WITNESS my signature on this 12th day of November, 2004.

UNITED STATES OF AMERICA,
UNITED STATES DEPARTMENT OF
AGRICULTURE, RURAL DEVELOPMENT

By: Jenny G. Phillips
State Director

CLAY-ROANE PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS,
SERIES 2004 A (WEST VIRGINIA INFRASTRUCTURE FUND) AND
SERIES 2004 B (UNITED STATES DEPARTMENT OF AGRICULTURE)

GENERAL CERTIFICATE ON:

1. TERMS
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS AND BIDDING
4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
5. SIGNATURES AND DELIVERY
6. PUBLIC SERVICE COMMISSION ORDER
7. RATES
8. INCUMBENCY AND OFFICIAL NAME
9. LAND AND RIGHTS-OF-WAY
10. MEETINGS
11. INSURANCE
12. LOAN AGREEMENT
13. SPECIMEN BOND
14. BOND PROCEEDS
15. CONFLICTS OF INTEREST
16. VERIFICATION OF SCHEDULE
17. PROCUREMENT OF ENGINEERING SERVICES
18. USERS
19. WETLANDS COVENANT
20. GRANTS
21. COUNTERPARTS

We, the undersigned CHAIRPERSON and the undersigned SECRETARY of the Public Service Board of Clay-Roane Public Service District (the "Issuer") and the undersigned ATTORNEY for the Issuer, hereby certify in connection with the Clay-Roane Public Service District Water Revenue Bonds, Series 2004 A (West Virginia Infrastructure Fund) and Series 2004 B (United States Department of Agriculture), dated the date hereof (collectively, the "Series 2004 Bonds" or the "Bonds" or individually, the "Series 2004 A Bonds" and the "Series 2004 B Bonds"), as follows:

1. TERMS: All capitalized words and terms used in this General Certificate and not otherwise defined herein shall have the same meaning set forth in the Bond Resolution duly adopted by the Issuer on October 14, 2004, the Supplemental Resolution duly adopted by the Issuer on October 14, 2004 (collectively, the "Resolution"), the loan agreement for the Series 2004 A Bonds by and between the Issuer and the Authority, on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), dated November 12, 2004 (the "Loan Agreement"), and the Letter of Conditions for the Series 2004 B Bonds from the United States of America, United States Department of Agriculture, Rural Utilities Service (the "Government"), to the Issuer, dated

February 7, 1997, as amended by Amendment No. 1 to Letter of Conditions, dated August 18, 1997, and Amendment No. 2 to Letter of Conditions, dated August 5, 2004 (collectively, the "Letter of Conditions").

2. NO LITIGATION: No controversy or litigation of any nature is now pending or, to the knowledge of any of the undersigned, threatened, restraining, enjoining or affecting in any manner the authorization, issuance, sale and delivery of the Bonds, the acquisition and construction of the Project, the operation of the System, the collection or use of the revenues of the System, or the pledge and security of the Net Revenues for the Bonds; nor affecting the validity of the Bonds or any provisions made or authorized for the payment thereof; nor questioning the existence of the Issuer or the title of the members or officers of the Issuer or the Board thereof to their respective offices; nor questioning any proceedings of the Issuer taken with respect to the authorization, issuance, sale or delivery of the Bonds, the acquisition and construction of the Project, the operation of the System, the collection or use of the revenues of the System, or the pledge and security of the Net Revenues for the Bonds.

3. GOVERNMENTAL APPROVALS AND BIDDING: All applicable approvals, permits, exemptions, consents, authorizations, registrations, licenses, orders and certificates required by law for the creation and existence of the Issuer, the acquisition and construction of the Project, the operation of the System, the imposition of rates and charges and the issuance of the Bonds have been duly and timely obtained and remain in full force and effect. Competitive bids for the acquisition and construction of the Project have been solicited by the Issuer in accordance with Chapter 5, Article 22, Section 1 of the Code of West Virginia, 1931, as amended, which bids remain in full force and effect.

4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS: There has been no adverse change in the financial condition of the Issuer since the approval, execution and delivery of the Loan Agreement and the approval of the Letter of Conditions. The Issuer has met all conditions set forth in the Loan Agreement and the Letter of Conditions and will provide the financial, institutional, legal and managerial capabilities necessary to complete and operate the Project.

There are outstanding obligations of the Issuer which will rank on a parity with the Series 2004 Bonds as to liens, pledge, source of and security for payment, being (1) the Water Revenue Bond, Series 1990 of the Issuer, dated November 5, 1990 (the "1990 Bond"), issued in the original principal amount of $450,000, (2) the Water Revenue Bond (Varneytown Project), Series 1997 of the Issuer, dated April 4, 1997 (the "1997 Bond"), issued in the original principal amount of $40,000, and (3) the Water Revenue Bond, Series 1982 of the Procious Public Service District, dated September 24, 1982 (the "1982 Bond") issued in the original principal amount of $192,000 and heretofore assumed by the Issuer in connection with its acquisition of Procious Public Service District (collectively, the "Prior Bonds").

The Series 2004 Bonds shall be issued on a parity with the Prior Bonds with respect to liens, pledge and source of and security for payment and in all other respects. The Issuer has

obtained (i) the certificate of an Independent Certified Public Accountant stating that the coverage and parity tests of the Prior Bonds are met; and (ii) the written consent of the Registered Owners of the Prior Bonds to the issuance of the Series 2004 Bonds on a parity with the Prior Bonds. Following the refunding of the Series 2001 A Bond and other than the Prior Bonds, there are no other outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System.

5. SIGNATURES AND DELIVERY: The undersigned Chairperson and Secretary are the duly elected or appointed, qualified and acting officers of the Issuer as indicated by the official titles opposite their signatures below, and are duly authorized to execute and seal the Bonds for the Issuer. The seal impressed upon the Bonds and this Certificate is the duly authorized, proper and only seal of the Issuer. On the date hereof, the undersigned Chairperson did officially sign all of the Bonds, consisting upon original issuance of a single Bond for each series, dated the date hereof, by his or her manual signature; the undersigned Secretary did officially cause the seal of the Issuer to be affixed upon the Bonds and to be attested by his or her manual signature; the Registrar did officially authenticate and deliver the Series 2004 A Bonds to a representative of the Authority as the original purchaser of such Bonds under the Loan Agreement; and the Chairperson did deliver the Series 2004 B Bonds to a representative of the Government as the original purchaser of such Bonds.

6. PUBLIC SERVICE COMMISSION ORDER: The Issuer has received the orders of the Public Service Commission of West Virginia (the "PSC") entered on March 13, 2002, and October 13, 2004, in Case No. 00-1303-PWD-CN, granting to the Issuer a certificate of public convenience and necessity for the Project and approving the financing for the Project. The time for appeal of the PSC order entered March 13, 2002, has expired prior to the date hereof without any appeal having been filed. The time for appeal of the PSC order entered October 13, 2004, has not expired on the date hereof. However, the parties to such order have stated that they do not intend to appeal such order. The Issuer hereby certifies that it will not appeal such order. All such orders remain in full force and effect.

The Issuer has duly published the required notice with respect to, among other things, the amount of the Bonds to be issued, the interest rate and terms of the Bonds, the Project to be acquired or constructed, the cost of the Project, the anticipated user rates and charges and the date that a formal application for a certificate of public convenience and necessity is to be filed with the PSC in accordance with Chapter 16, Article 13A, Section 25 of the Code of West Virginia, 1931, as amended.

7. RATES: The rates for the System, as approved by the PSC on September 26, 2002, in Case No. 02-0038-PWD-19A, are in full force and effect.

8. INCUMBENCY AND OFFICIAL NAME: The proper corporate title of the Issuer is "Clay-Roane Public Service District," and it is a public service district organized and existing under the laws of, and a public corporation and political subdivision of, the State of West Virginia in Clay and Roane Counties of said State. The governing body of the Issuer is its Board,

consisting of five members, whose names and dates of commencement and termination of their current terms are as follows:

Name	Date of Commencement of Office	Date of Termination of Office
Melissa Postelwait	October 1, 2003	October 1, 2009
Gary Whaling	June 26, 2001	June 30, 2007
Glen Sutton	May 20, 2002	October 1, 2005
David Saulsgiver	October 1, 2003	October 1, 2009
Susan Beard	April 15, 2004	March 31, 2010

The duly elected or appointed officers of the Board for 2004 are as follows:

Melissa Postelwait	-	Chairperson
Crystal McKinney	-	Secretary/Treasurer

The duly appointed and acting attorney for the Issuer is Thomas N. Whittier, Esquire, of Spencer, West Virginia.

9. LAND AND RIGHTS-OF-WAY: All land in fee simple and all rights-of-way and easements necessary for the acquisition and construction of the Project and the operation and maintenance of the System have been acquired or can and will be acquired by purchase or, if necessary, by condemnation by the Issuer and are adequate for such purposes and are not or will not be subject to any liens, encumbrances, reservations or exceptions that would adversely affect or interfere in any way with the use thereof for such purposes. The costs thereof, including costs of any properties that may have to be acquired by condemnation, are, in the opinion of all the undersigned, within the ability of the Issuer to pay for the same without jeopardizing the security of or payments on the Bonds.

10. MEETINGS: All actions, resolutions, orders and agreements taken, adopted and entered into by or on behalf of the Issuer in any way connected with the issuance of the Bonds and the acquisition, construction, operation and financing of the Project or the System were authorized or adopted at meetings of the Board duly and regularly or specifically called and held pursuant to all applicable statutes and the rules of procedure of the Board, and a quorum of duly appointed, qualified and acting members of the Board was present and acting at all times during all such meetings. All notices required to be posted and/or published were so posted and/or published.

11. INSURANCE: The Issuer will maintain or, as appropriate, will require all contractors to maintain worker's compensation, public liability insurance, and property damage insurance, standard hazard insurance, builder's risk insurance, flood insurance and business interruption insurance, where applicable, in accordance with the Resolution, the Loan Agreement and the Letter of Conditions. All insurance for the System required by the Resolution, the Loan

Agreement and the Letter of Conditions are in full force and effect.

12. LOAN AGREEMENT: As of the date hereof, (i) the representations of the Issuer contained in the Loan Agreement are true and correct in all material respects as if made on the date hereof; (ii) the Loan Agreement does not contain any untrue statements of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (iii) to the best knowledge of the undersigned, no event affecting the Issuer has occurred since the date of the Loan Agreement, which should be disclosed for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein not misleading; and (iv) the Issuer is in compliance with the Loan Agreement.

13. SPECIMEN BOND: Attached hereto as Exhibit A are specimens of the Bonds which, except as to execution and authentication, are identical in all respects with the Bonds this day delivered to the Authority and the Government and being substantially in the form prescribed in the Resolution.

14. BOND PROCEEDS: On the date hereof, the Issuer received (a) $331,602 from the Authority and the Council, being a portion of the principal amount of the Series 2004 A Bonds and (b) $274,123 from the Government, being a portion of the principal amount of the Series 2004 B Bonds. The balance of the respective principal amounts of the Bonds will be advanced to the Issuer from time to time as acquisition and construction of the Project progresses.

15. CONFLICTS OF INTEREST: No member, officer or employee of the Issuer has a substantial financial interest, direct, indirect or by reason of ownership of stock in any corporation, in any contract with the Issuer or the sale of any land, materials, supplies or services to the Issuer, or to any contractor supplying the Issuer, relating to the Bonds, the Resolution and/or the Project, including, without limitation, with respect to the Depository Bank. For purposes of this paragraph, a "substantial financial interest" shall include, without limitation, an interest amounting to more than 5% of the particular business enterprise or contract.

16. VERIFICATION OF SCHEDULE: The final amended Schedule B attached to the Certificate of Consulting Engineer, with the signature of the Chairperson and the Consulting Engineer, accurately represents the estimated costs of the Project, the sources of funds available to pay the costs of the Project and the costs of financing of the Bonds.

17. PROCUREMENT OF ENGINEERING SERVICES: The Issuer has complied with all the requirements of Chapter 5G, Article 1 of the Code of West Virginia, 1931, as amended, in the procurement of the engineering services of the Consulting Engineer.

18. USERS: The Issuer will serve at least 240 bona fide users upon the completion of the Project, in full compliance with the Letter of Conditions.

19. WETLANDS COVENANT: The Issuer hereby certifies that it will not use any

proceeds of the Bonds for a purpose that will contribute to excessive erosion of highly erodible lands or to the conversion of wetlands to produce an agricultural commodity.

20. GRANTS: As of the date hereof, the grant from the Government in the amount of $1,210,550, the grant from the Appalachian Regional Commission in the amount of $500,000, and the grant from the Council in the amount of $2,415,000 are committed for the Project and in full force and effect.

21. COUNTERPARTS: This Certificate may be executed in counterparts and all counterparts shall be deemed to be the Certificate.

WITNESS our signatures and the official corporate seal of Clay-Roane Public Service District on this 12th day of November, 2004.

[SEAL]

Signature	Official Title
Melissa Postelwait	Chairperson
Crystal McKinney	Secretary
T. Whit	Attorney

EXHIBIT A

See Specimen Bonds (Tab Nos. 16 and 17).

CLAY-ROANE PUBLIC SERVICE DISTRICT
WATER REVENUE BOND, SERIES 2004 A
(WEST VIRGINIA INFRASTRUCTURE FUND)

CERTIFICATE AS TO USE OF PROCEEDS

The undersigned Chairperson of the Public Service Board of the Clay-Roane Public Service District in Clay and Roane Counties, West Virginia (the "Issuer"), being one of the officials of the Issuer duly charged with the responsibility for the issuance of the $1,000,000 Water Revenue Bond, Series 2004 A (West Virginia Infrastructure Fund), of the Issuer, dated November 12, 2004 (the "Bond"), hereby certifies as follows:

1. I am one of the officers of the Issuer duly charged with the responsibility of issuing the Bond. I am familiar with the facts, circumstances and estimates herein certified and am duly authorized to execute and deliver this certificate on behalf of the Issuer. Capitalized terms used herein and not otherwise defined herein shall have the same meanings set forth in the Bond Resolution duly adopted by the Issuer on October 14, 2004 (the "Bond Resolution"), authorizing the Bond.

2. This certificate may be relied upon as the certificate of the Issuer.

3. This certificate is based upon facts, circumstances, estimates and expectations of the Issuer in existence on November 12, 2004, the date on which the Bond is being physically delivered in exchange for a portion of the principal amount of the Bond, and to the best of my knowledge and belief, the expectations of the Issuer set forth herein are reasonable.

4. In the Bond Resolution pursuant to which the Bond is issued, the Issuer has covenanted that it shall not take, or permit or suffer to be taken, any action with respect to Issuer's use of the proceeds of the Bond which would cause any bonds, the interest on which is exempt from federal income taxation under Section 103(a) of the Internal Revenue Code of 1986, as amended, and the temporary and permanent regulations promulgated thereunder or under any predecessor thereto (collectively, the "Code"), issued by the West Virginia Water Development Authority (the "Authority") or the West Virginia Infrastructure and Jobs Development Council (the "Council"), as the case may be, from which the proceeds of the Bond are derived, to lose their status as tax-exempt bonds. The Issuer hereby covenants to take all actions necessary to comply with such covenant.

5. The Bond was sold on November 12, 2004, to the Authority, pursuant to a Loan Agreement dated November 12, 2004, by and between the Issuer and the Authority, on behalf of the Council, for an aggregate purchase price of $1,000,000 (100% of par), at which time, the Issuer received $331,601.99 from the Authority and the Council, being a portion of the principal amount of the Bond. No accrued interest has been or will be paid on the Bond.

On the date hereof, the Issuer simultaneously issued its Water Revenue Bond, Series 2004 B (United States Department of Agriculture), in the original principal amount of $360,000 (the "Series 2004 B Bond"), to pay a portion of the costs of acquisition, construction and equipping of the Project and certain costs of issuance thereof.,

6. The Bond is being delivered simultaneously with the delivery of this certificate and is issued for the purposes of (i) paying in full the entire outstanding principal of and any interest and administrative fees on the Issuer's Water Revenue Bond, Series 2001 A (West Virginia Infrastructure Fund) (the "Series 2001 A Bond"); (ii) paying a portion of the costs of acquisition, construction and equipping the Project; and (iii) paying certain costs of issuance of the Bond and related costs.

7. The Issuer shall, on the date hereof or immediately hereafter, enter into agreements which require the Issuer to expend at least 5% of the net sale proceeds of the Bond for the construction of the Project, constituting a substantial binding commitment, or has already done so. The construction of the Project and the allocation of the net sale proceeds of the Bond to expenditures for costs of the Project shall commence immediately and shall proceed with due diligence to completion, and all of the proceeds from the sale of the Bond, together with any investment earnings thereon, will be expended for payment of costs of the Project on or before November 5, 2005. The acquisition of the Project is expected to be completed by October 7, 2005.

8. The total cost of the Project is estimated at $5,485,550. Sources and uses of funds for the Project are as follows:

SOURCES	
Series 2004 A Bond Proceeds	$1,000,000
Series 2004 B Bond Proceeds	360,000
IJDC Grant	2,415,000
RUS Grant	1,210,550
ARC Grant	500,000
Total Sources	$5,485,550

USES	
Costs of Project	$5,172,050
Payoff Series 2001 A Bond	295,000
Costs of Issuance	18,500
Total Uses	$5,485,550

9. Pursuant to Article IV of the Bond Resolution, the following special funds have been created or continued:

(1) Revenue Fund;

(2) Series 2004 A Bond Sinking Fund;

(3) Series 2004 B Bond Sinking Fund;

(4) Series 2004 A Bonds Reserve Account;

(5) Series 2004 B Bonds Reserve Account;

(6) Depreciation Fund; and

(7) Series 2004 Bonds Construction Trust Fund.

10. Pursuant to Article VI of the Bond Resolution, proceeds of the Bond will be used to pay the entire outstanding principal of and any interest and administrative fees on the Series 2001 A Bond and the remaining proceeds of the Bond will be deposited in the Series 2004 Bonds Construction Trust Fund and applied solely to payment of costs of the Project, including costs of issuance of the Bond and related costs, and for no other purpose.

Prior to expenditure, the proceeds of the Bond in the Series 2004 Bonds Construction Trust Fund will be invested at a yield not to exceed the yield on the Council's bonds, the proceeds of which were used to make the loan to the Issuer.

11. Moneys held in the Series 2004 A Bond Sinking Fund will be used solely to pay principal of and interest, if any, on the Bond and will not be available to meet costs of construction of the Project.

12. The construction of the Project will proceed with due diligence to completion. The construction of the Project is expected to be completed within 11 months of the date hereof.

13. The Issuer will take such steps as requested by the Authority to ensure that the Authority's bonds meet the requirements of the Code.

14. The Issuer does not expect to sell or otherwise dispose of the Project in whole or in part prior to the last maturity date of the Bond.

15. The amount designated as costs of issuance of the Bond consists only of costs which are directly related to and necessary for the issuance of the Bond.

16. All property financed with the proceeds of the Bond will be owned and held by (or on behalf of) a qualified governmental unit.

17. No proceeds of the Bond will be used, directly or indirectly, in any trade or business carried on by any person who is not a governmental unit.

18. The original proceeds of the Bond will not exceed the amount necessary for the purposes of the issue. The Issuer covenants that it shall maintain thorough and accurate accounting records, in conformance with generally accepted accounting principles, relative to the proceeds of the Bond so that use of proceeds from the Bond can be accounted for.

19. The Issuer shall use the Bond proceeds solely for the costs of the Project, and the Project will be operated solely for a public purpose as a local governmental activity of the Issuer.

20. The Bond is not federally guaranteed.

21. The Issuer has retained the right to amend the Bond Resolution authorizing the issuance of the Bond if such amendment is necessary to assure that the Bond remains governmental or public purpose bonds.

22. Except for the Series 2004 B Bonds, there are no other obligations of the Issuer which (a) are to be issued at substantially the same time as the Bond, (b) are to be sold pursuant to a common plan of financing together with the Bond and (c) will be paid out of substantially the same sources of funds of funds or will have substantially the same claim to be paid out of substantially the same sources of funds as the Bond.

23. To the best of my knowledge, information and belief, there are no other facts, estimates and circumstances that would materially change the expectations herein expressed.

24. The Issuer will comply with instructions as may be provided by the Authority, at any time, regarding use and investment of proceeds of the Bond, rebates and rebate calculations.

25. To the best of my knowledge, information and belief, the foregoing expectations are reasonable.

WITNESS my signature as of this 12th day of November, 2004.

CLAY-ROANE PUBLIC SERVICE DISTRICT

By: Melissa Portelwait
Chairperson

CLAY-ROANE PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS,
SERIES 2004 A (WEST VIRGINIA INFRASTRUCTURE FUND) AND
SERIES 2004 B (UNITED STATES DEPARTMENT OF AGRICULTURE)

CERTIFICATE OF SECRETARY/TREASURER AS TO TRUTH
AND ACCURACY OF DOCUMENTS DELIVERED

I, Crystal McKinney, the duly appointed Secretary/Treasurer of the Clay-Roane Public Service District, West Virginia, hereby certify that the copies of the following documents being delivered in connection with the closing of the sale of the Clay-Roane Public Service District, Water Revenue Bonds, Series 2004 A (West Virginia Infrastructure Fund) and Series 2004 B (United States Department of Agriculture), are, as of the date hereof, true and accurate copies of the originals of those documents maintained on file with the District and delivered in the transcript of proceedings, and that said documents are still in full force and effect as of the date hereof and have not been repealed, rescinded, superseded, amended or modified in any way unless the document effecting such repeal, rescission, supersedence, amendment or modification is also listed below:

1. Orders of The County Commissions of Clay and Roane Counties Creating and Enlarging Clay-Roane Public Service District.

2. Orders of The County Commissions of Clay and Roane Counties Appointing Members of the Public Service Board.

3. Oaths of Office of the Board Members.

4. Rules of Procedure.

5. Minutes of Current Year Organizational Meeting.

6. Public Service Commission Order.

7. Infrastructure Council Approval Letter.

8. Infrastructure Council Loan Agreement.

9. USDA Letter of Conditions, as amended.

10. USDA Closing Letter.

11. Bond Resolution.

12. Supplemental Resolution.

13. Minutes of Board Meeting regarding Adoption of Bond Resolution and Supplemental Resolution.

14. Affidavits of Publication regarding Notice of Borrowing and Notice to Residents of Meeting to Adopt Bond Resolution and Supplemental Resolution.

15. 1990 Bond Resolution.

16. 1997 Bond Resolution.

17. 1982 Procious PSD Bond Resolution.

18. USDA Consent to Issuance of Parity Bonds.

19. Environmental Health Services Permit

20. Evidence of Insurance

21. Infrastructure Council Grant Agreement.

22. USDA Grant Agreement.

23. Appalachian Regional Commission Grant Letter.

24. Water Purchase Contract with Town of Clay.

WITNESS my signature and the official seal of the Clay-Roane Public Service District, West Virginia as of the 12th day of November, 2004.

Crystal McKinney
Secretary/Treasurer

(SEAL)

CLAY-ROANE PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS,
SERIES 2004 A (WEST VIRGINIA INFRASTRUCTURE FUND) AND
SERIES 2004 B (UNITED STATES DEPARTMENT OF AGRICULTURE)

CERTIFICATE OF CONSULTING ENGINEER

I, James B. Hildreth, Registered Professional Engineer, West Virginia License No. 7719, of Boyles and Hildreth, Spencer, West Virginia, hereby certify as follows:

1. My firm is engineer for the acquisition and construction of certain improvements and extensions (the "Project") to the existing public water facilities (the "System") of Clay-Roane Public Service District (the "Issuer"), to be constructed in Clay and Roane Counties, West Virginia, which acquisition and construction are being permanently financed in part by the above-captioned bonds (collectively, the "Bonds" or individually, the "Series 2004 A Bonds" and the "Series 2004 B Bonds") of the Issuer. All capitalized words used herein and not defined herein shall have the same meaning set forth in the Bond Resolution adopted by the Issuer on October 14, 2004 (the "Resolution"), the loan agreement for the Series 2004 A Bonds by and between the Issuer and the Authority, on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), dated November 12, 2004 (the "Loan Agreement"), and the letter of conditions from the United States of America, United States Department of Agriculture, Rural Utilities Service (the "Government"), to the Issuer, dated February 7, 1997, as amended by Amendment No. 1 to Letter of Conditions dated August 18, 1997, and by Amendment No. 2 to Letter of Conditions dated August 5, 2004 (collectively, the "Letter of Conditions").

2. The Bonds are being issued for the purposes of (i) paying in full the entire outstanding principal of and any interest and administrative fees on the Issuer's Water Revenue Bond, Series 2001 A (West Virginia Infrastructure Fund) (the "Series 2001 A Bond"); (ii) paying a portion of the costs of acquisition, construction and equipping the Project; and (iii) paying certain costs of issuance of the Bond and related costs.

3. To the best of my knowledge, information and belief (i) within the limits and in accordance with the applicable and governing contractual requirements relating to the Project, the Project will be constructed in general accordance with the approved plans, specifications and designs prepared by my firm and approved by the West Virginia Bureau for Public Health (the "BPH") and any change orders approved by the Issuer, the Council, the Government and all necessary governmental bodies; (ii) the Project, as designed, is adequate for its intended purpose and has a useful life of at least 40 years, if properly operated and maintained, excepting anticipated replacements due to normal wear and tear; (iii) the Issuer has received bids for the acquisition and construction of the Project which are in an amount and otherwise compatible with the plan of financing set forth in the Schedule B attached hereto as Exhibit A, and in reliance upon the opinion of Issuer's counsel, Thomas N. Whittier, Esquire, of even date herewith, all successful bidders have made required provisions for all insurance and payment and performance bonds and such insurance policies or binders and such bonds have been verified for accuracy; (iv) the successful bidders received any and all addenda to the original bid documents; (v) the bid documents relating to the Project reflect the Project as approved by the BPH and the bid forms provided to the bidders contain

all critical operational components of the Project; (vi) the successful bids include prices for every item on such bid forms; (vii) the uniform bid procedures were followed; (viii) the Issuer has obtained all permits required by the laws of the State of West Virginia and the United States necessary for the acquisition and construction of the Project and operation of the System; (ix) ~~in reliance upon the certificate of Teed & Associates PLLC, CPA, of even date herewith, as of the effective date thereof, the rates and charges for the System as approved by the Public Service Commission of West Virginia and adopted by the Issuer will be sufficient to comply with the provisions of the Loan Agreement and the Resolution;~~ (x) the net proceeds of the Bonds, together with all other moneys on deposit or to be simultaneously deposited and irrevocably pledged thereto and the proceeds of grants, if any, irrevocably committed therefor, are sufficient to pay the costs of acquisition and construction of the Project approved by the Council and the Government; and (xi) attached hereto as Exhibit A is the final amended "Schedule B - Final Total Cost of Project, Sources of Funds and Cost of Financing" for the Project.

WITNESS my signature and seal as of the 12th day of November, 2004.

[SEAL]

James B. Hildreth, P.E.
West Virginia License No. 7719

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

Schedule B

Clay-Roane Public Service District
Water System Improvements Project 95W-161
FINAL TOTAL COST OF PROJECT, SOURCES OF FUNDS AND COST OF FINANCING

		TOTAL	RUS Loan	RUS grant	ARC grant	IJDCGrant/loan
A. COST OF PROJECT						
1 Construction						
Contract 1	FAMCO	1,[illegible]96,622.10	0.00	889,488.00	500,000.00	407,134.10
Contract 2	Hester	2,[illegible]07,620.25	0.00	0.00	0.00	2,107,620.25
Contract 3	Mid Atlantic	[illegible]56,400.00	0.00	0.00	0.00	556,400.00
2 Technical Services	Hildreth					
Design		[illegible]71,130.00	271,130.00			
Inspection		151,000.00	58,870.00	92,130.00	0.00	0.00
Special Services		30,000.00	0.00	30,000.00	0.00	0.00
3 Legal & Fiscal						
a. Legal		15,000.00	0.00	0.00	0.00	15,000.00
b. Accounting		4,500.00				4,500.00
4 Administrative		7,500.00				7,500.00
5 Sites & Other Lands		10,000.00	0.00	0.00	0.00	10,000.00
6 Interim Financing	(IJDC deferred loan)	295,000.00				295,000.00
7 Contingency (%)		202,277.65	0.00	198,932.00	0.00	3,345.65
8 Miscellaneous						
9 TOTAL of Lines 1 through 8		5,447,050.00	330,000.00	1,210,550.00	500,000.00	3,406,500.00
B. SOURCES OF FUNDS						
10 Federal Grants						
a. RUS grant		840,000.00		840,000.00		
b. ARC grant		500,000.00			500,000.00	
c. Additional RUS grant		370,550.00		370,550.00		
11 State Grants	(IJDC)	1,700,000.00				1,700,000.00
13 Additional IJDC grant		715,000.00				715,000.00
14 TOTAL Lines 10 trough 13		4,125,550.00	0.00	1,210,550.00	500,000.00	2,415,000.00
15 Net Proceeds from Bond Issue		1,321,500.00	330,000.00	0.00	0.00	991,500.00
C. COST OF FINANCING						
16 Capitalized Interest		20,000.00	20,000.00			
17 Other Costs						
a. Registrar fees		500.00				500.00
b Bond Counsel (Goodwin & Goodwin)		18,000.00	10,000.00			8,000.00
18 Cost of Issuance		38,500.00	30,000.00	0.00	0.00	8,500.00
19 Size of Bond Issue		1,360,000.00	380,000.00	0.00	0.00	1,000,000.00

Melissa Portelwait
GOVERNMENTAL AGENCY
9-9-04
DATE

[signature]
CONSULTING ENGINEER
9.9.04
DATE

Smith, Cochran & Hicks, P.L.L.C.
Certified Public Accountants Beckley Bridgeport Charleston Montgomery
405 Capitol Street ● Suite 908 ● Charleston, West Virginia 25301 ● 304-345-1151 ● Fax 304-346-6731

November 12, 2004

CLAY-ROANE PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS,
SERIES 2004 A (WEST VIRGINIA INFRASTRUCTURE FUND) AND
SERIES 2004 B (UNITED STATES DEPARTMENT OF AGRICULTURE)

Clay-Roane Public Service District
Procious, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

West Virginia Infrastructure and Jobs Development Council
Charleston, West Virginia

United States Department of Agriculture, Rural Utilities Service
Parkersburg, West Virginia

Ladies and Gentlemen:

I have reviewed the water rates of Clay-Roane Public Service District (the "Issuer"), as approved by the order of the Public Service Commission of West Virginia, entered September 26, 2002, in Case No. 02-0038-PWD-19A, and the projected operating expenses and anticipated customer usage provided by James B. Hildreth, the consulting engineer of the Issuer. It is my opinion that such rates are sufficient (i) to provide for all operating expenses of the water facilities of the Issuer and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Issuer's Water Revenue Bond, Series 1990, Water Revenue Bond (Varneytown Project), Series 1997, and Water Revenue Bond, Series 1982, of the Procious Public Service District, heretofore assumed by the Issuer (collectively, the "Prior Bonds"), Water Revenue Bonds, Series 2004 A (West Virginia Infrastructure Fund) and Water Revenue Bonds, Series 2004 B (United States Department of Agriculture) (collectively, the "Series 2004 Bonds").

It is further my opinion that the Net Revenues for the fiscal year following the year in which the Series 2004 Bonds are to be issued will be at least 120% of the average annual debt service requirements on the Prior Bonds and the Series 2004 Bonds.

Todd F. Dingess, CPA

$1,000,000
CLAY-ROANE PUBLIC SERVICE DISTRICT
WATER REVENUE BOND, SERIES 2004 A
(WEST VIRGINIA INFRASTRUCTURE FUND)

CROSS-RECEIPT FOR BOND AND BOND PROCEEDS

The undersigned authorized representative of the West Virginia Water Development Authority (the "Authority"), for and on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), and the undersigned Chairperson of Clay-Roane Public Service District (the "Issuer"), for and on behalf of the Issuer, hereby certifies as follows:

1. On the 12th day of November, 2004, at Charleston, West Virginia, the Authority received for the Council, the Clay-Roane Public Service District Water Revenue Bond, Series 2004 A (West Virginia Infrastructure Fund), numbered AR-1, in the principal amount of $1,000,000, dated as of the date hereof, issued as a single, fully registered Bond (the "Bond").

2. At the time of such receipt of the Bond, the Bond had been executed by the Chairperson and the Secretary/Treasurer of the Issuer, by their manual signatures, on behalf of the Issuer, and the official seal of the Issuer had been imprinted upon the Bond.

3. The Issuer received and hereby acknowledges receipt from the Authority, as the original purchaser of the Bond, of $331,602 being a portion of the principal amount of the Bond. The balance of the principal amount of the Bond will be advanced by the Authority and the Council to the Issuer as acquisition and construction of the Project progresses.

WITNESS our signatures as of the 12th day of November, 2004.

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

By: Barbara B Meadows
Authorized Representative

CLAY-ROANE PUBLIC SERVICE DISTRICT

By: Melissa Portelwalt
Chairperson

$360,000
CLAY-ROANE PUBLIC SERVICE DISTRICT
WATER REVENUE BOND, SERIES 2004 B
(UNITED STATES DEPARTMENT OF AGRICULTURE)

CROSS-RECEIPT FOR BOND AND BOND PROCEEDS

The undersigned, for the United States Department of Agriculture, Rural Utilities Service ("RUS"), and the undersigned Chairperson of Clay-Roane Public Service District (the "Issuer"), hereby certify as follows:

1. On the 12th day of November, 2004, at Clay, West Virginia, the undersigned received for RUS, the Clay-Roane Public Service District Water Revenue Bond, Series 2004 B (United States Department of Agriculture), numbered BR-1, in the amount of $360,000, dated as of the date hereof, bearing interest at the rate of 4.50% per annum, payable in monthly installments as stated in the Bond. The Bond represents the entire above-captioned Bond issue.

2. At the time of such receipt of the Bond, the Bond had been executed by Melissa Postelwait as Chairperson and Crystal McKinney as Secretary/Treasurer of the Issuer, by their manual signatures, on behalf of the Issuer, and the official seal of the Issuer had been imprinted upon the Bond.

3. The Issuer received and acknowledged receipt from RUS, as the original purchaser of the Bond, of $274,123, being a portion of the proceeds of the Bond. The balance of the Bond proceeds will be advanced from time to time to pay costs of the Project as described in the Letter of Conditions.

4. At the time of such receipt, the Bond had been executed and sealed by the designated officials of the Public Service District.

WITNESS our signatures as of the 12th day of November, 2004.

UNITED STATES DEPARTMENT OF AGRICULTURE,
Rural Utilities Service

By: Virginia M McDonald
Rural Development Specialist

CLAY-ROANE PUBLIC SERVICE DISTRICT

By: Melissa Postelwait
Chairperson

$1,000,000
CLAY-ROANE PUBLIC SERVICE DISTRICT
WATER REVENUE BOND, SERIES 2004 A
(WEST VIRGINIA INFRASTRUCTURE FUND)

REQUEST AND AUTHORIZATION TO AUTHENTICATE
AND DELIVER THE SERIES 2004 A BOND

November 12, 2004

Clay County Bank, Inc., as Registrar
P.O. Box 239
Clay, WV 25043

Ladies and Gentlemen:

We herewith hand to you, duly executed, the $1,000,000 Clay-Roane Public Service District Water Revenue Bond, Series 2004 A (West Virginia Infrastructure Fund) (the "Bond"), in the form of one bond, numbered AR-1, dated November 12, 2004, of the Clay-Roane Public Service District (the "District"), authorized to be issued under and pursuant to the Bond Resolution and the Supplemental Resolution, duly adopted the Public Service Board of the District on October 14, 2004.

You are hereby requested and authorized to authenticate and register the Bond and to deliver the Bond on behalf of the District to the West Virginia Water Development Authority, for the benefit of the West Virginia Infrastructure and Jobs Development Council, the original purchaser thereof, upon receipt by the District of $331,602, being a portion of the principal amount of the Bond.

CLAY-ROANE PUBLIC SERVICE DISTRICT

By: Melissa Portelwait
Chairperson

(SEAL)

Attest:
Crystal McKinney
Secretary/Treasurer

$1,000,000
CLAY-ROANE PUBLIC SERVICE DISTRICT
WATER REVENUE BOND, SERIES 2004 A
(WEST VIRGINIA INFRASTRUCTURE FUND)

REGISTRAR'S AGREEMENT

THIS REGISTRAR'S AGREEMENT, dated as of the 12th day of November, 2004, by and between CLAY-ROANE PUBLIC SERVICE DISTRICT, a public service district and political subdivision of the State of West Virginia (the "Issuer"), and the CLAY COUNTY BANK, INC., a state banking corporation, having its principal office in Clay, West Virginia (the "Registrar").

WHEREAS, the Issuer has, contemporaneously with the execution hereof, issued and sold its $1,000,000 aggregate principal amount of Water Revenue Bond, Series 2004 A (West Virginia Infrastructure Fund) (the "Bond"), in fully registered form, pursuant to a Bond Resolution and a Supplemental Resolution adopted by the Issuer on October 14, 2004 (the "Resolution");

WHEREAS, capitalized words and terms used in this Registrar's Agreement and not otherwise defined herein shall have the respective meanings given them in the Resolution, a copy of which is attached as Exhibit A hereto and incorporated herein by reference;

WHEREAS, the Resolution provides for the appointment by the Issuer of a Registrar for the Bond; and

WHEREAS, the Issuer desires to appoint, and by the Resolution and this Registrar's Agreement does appoint, the Registrar to act as Registrar under the Resolution and to take certain other actions hereinafter set forth.

NOW, THEREFORE, it is agreed by and between the parties hereto as follows:

1. Upon the execution of this Registrar's Agreement by the Issuer and the Registrar and during the term hereof, the Registrar does accept and shall have and carry out the powers and duties of the Registrar, all as set forth in the Resolution, such duties including, among other things, the duties to authenticate, register and deliver the Bond upon original issuance and when properly presented for exchange or transfer, and shall do so with the intention of maintaining the exemption of interest on the Bond from federal income taxation, in accordance with any rules and regulations promulgated by the United States Treasury Department or by the Municipal Securities Rulemaking Board or similar regulatory bodies as the Issuer advises it of and with generally accepted industry standards.

2. The Registrar agrees to furnish the Issuer with appropriate records of all transactions carried out by it as Registrar and to furnish the Issuer with the names and specimen signatures of the Registrar's authorized officers for the purposes of acting as the Registrar and with such other information and reports as the Issuer may from time to time reasonably require.

3. The Registrar shall have no responsibility or liability for any action taken by it at the specific direction of the Issuer.

4. As compensation for acting as Registrar pursuant to this Registrar's Agreement, the Issuer hereby agrees to pay to the Registrar, the fee, if any, set forth in the annexed schedule.

5. It is intended that this Registrar's Agreement shall carry out and implement the provisions of the Resolution with respect to the Registrar. In the event of any conflict between the terms of this Registrar's Agreement and the Resolution, the terms of the Resolution shall govern.

6. The Issuer and the Registrar each warrants and represents that it is duly authorized and empowered to execute and enter into this Registrar's Agreement and that neither such execution nor the performance of its duties hereunder or under the Resolution will violate any order, decree or agreement to which it is a party or by which it is bound.

7. Either party may terminate this Registrar's Agreement upon sixty (60) days' written notice sent by registered or certified mail to the other party, at the following respective addresses:

ISSUER: Clay-Roane Public Service District
P. O. Box 8
Procious, WV 25164

REGISTRAR: Clay County Bank, Inc.
Attention: Senior Vice President
P.O. Box 239
Clay, WV 25043

8. The Registrar is hereby requested and authorized to authenticate, register and deliver the Bond in accordance with the Resolution.

IN WITNESS WHEREOF, the CLAY-ROANE PUBLIC SERVICE DISTRICT and the CLAY COUNTY BANK, INC. have caused this Registrar's Agreement to be signed in their names and on their behalf, all as of the day, month and year first above-written.

CLAY-ROANE PUBLIC SERVICE DISTRICT

By: Melissa Pottelwait
Chairman

CLAY COUNTY BANK, INC.

By: J. Gregory Henry
Senior Vice President

Exhibit A

See Bond Resolution (Tab No. 12)

See Supplemental Resolution (Tab No. 13)

$1,000,000
CLAY-ROANE PUBLIC SERVICE DISTRICT
WATER REVENUE BOND, SERIES 2004 A
(WEST VIRGINIA INFRASTRUCTURE FUND)

CERTIFICATE OF REGISTRATION OF SERIES 2004 A BOND

I, J. Gregory Gency, Senior Vice President of the Clay County Bank, Inc., as Registrar (the "Registrar"), under a Registrar's Agreement between the Registrar and Clay-Roane Public Service District (the "District") dated as of the date hereof, hereby certify that on the 12th day of November, 2004, the single, fully registered "Clay-Roane Public Service District Water Revenue Bond, Series 2004 A (West Virginia Infrastructure Fund)", dated as of the date hereof, in the principal amount of $1,000,000, numbered AR-1, was registered as to principal only in the name of "The West Virginia Water Development Authority", on the books of the Registrar kept for that purpose at our office, by a duly authorized officer on behalf of the Registrar.

WITNESS my signature as of the 12th day of November, 2004.

CLAY COUNTY BANK, INC., as Registrar

By: J. Gregory Gency
Senior Vice President

CLAY-ROANE PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS,
SERIES 2004 A (WEST VIRGINIA INFRASTRUCTURE FUND) AND
SERIES 2004 B (UNITED STATES DEPARTMENT OF AGRICULTURE)

ACCEPTANCE OF APPOINTMENT AS DEPOSITORY BANK

Clay County Bank, Inc., a state banking corporation, at its office located in Clay, Clay County, West Virginia, hereby accepts appointment as Depository Bank in connection with a Resolution of the Clay-Roane Public Service District (the "District") duly adopted by the Public Service Board of the District (the "Board") and effective on October 14, 2004 (the "Resolution"), authorizing issuance by the District of its Water Revenue Bonds, Series 2004 A (West Virginia Infrastructure Fund), and Series 2004 B (United States Department of Agriculture), dated November 12, 2004, in the respective aggregate principal amounts of $1,000,000 and $360,000, and agrees to serve as Depository Bank, all as set forth in the Resolution.

Witness my signature as of the 12th day of November, 2004.

CLAY COUNTY BANK, INC.

By: J. Gregory Jenkins
Senior Vice President

WV MUNICIPAL BOND COMMISSION
8 Capitol Street, Suite 500
Charleston, WV 25301
(304) 558-3971

NEW ISSUE REPORT FORM
Date of Report: November 12, 2004

ISSUER: Clay-Roane Public Service District
Water Revenue Bond, Series 2004 A (West Virginia Infrastructure Fund)
ADDRESS: P.O. Box 8
Procious, WV 25164 COUNTY: Clay and Roane
PURPOSE: New Money X
OF ISSUE: Refunding X Refunds issue dated: September 27, 2001
ISSUE DATE: November 12, 2004 CLOSING DATE: November 12, 2004
ISSUE AMOUNT: $1,000,000 RATE: 0%
1ST DEBT SERVICE DUE: December 1, 2006 1ST PRINCIPAL DUE: December 1, 2006
1ST DEBT SERVICE AMT.: $6,578.95 PAYING AGENT: Municipal Bond Comm.

BOND COUNSEL: Goodwin & Goodwin, LLP
Contact Person: W.K. Bragg, Jr.
Phone 346-7000

REGISTRAR: Clay County Bank, Inc.
Contact Person: J. Gregory Gency
Phone: (304) 587-4221

KNOWLEDGABLE ISSUER CONTACT:
Contact Person: Melissa Postelwait
Position: Chairperson
Phone: (304) 548-5209

LENDER: West Virginia Infrastructure and Jobs Development Council
Contact Person: Katy Mallory, P.E.
Position: Executive Secretary
Phone: (304) 558-4607

----------DEPOSITS TO MBC AT CLOSE: ----------

By X Wire
___ Check

___ Accrued Interest: $_____
___ Capitalized Interest: $_____
___ Reserve Account: $_____
X Other: $295,000 (See Notes Below)

----------REFUNDS & TRANSFERS BY MBC AT CLOSE: ----------

By ___ Wire
___ Check
___ IGT

___ To Escrow Trustee: $_____
___ To Issuer: $_____
___ To Cons. Invest. Fund:$_____
___ Other: _____ $_____

Notes: Pay in full the entire outstanding principal of and any interest and administrative fees on the Issuer's Water Revenue Bond, Series 2001 A (West Virginia Infrastructure Fund)

FOR MUNICIPAL BOND COMMISSION USE ONLY:
DOCUMENTS
REQUIRED: _____
TRANSFERS
REQUIRED: _____

WV MUNICIPAL BOND COMMISSION
8 Capitol Street, Suite 500
Charleston, WV 25301
(304) 558-3971

NEW ISSUE REPORT FORM
Date of Report: November 12, 2004

ISSUER: Clay-Roane Public Service District
Water Revenue Bond, Series 2004 B (United States Department of Agriculture)
ADDRESS: P.O. Box 8
Procious, WV 25164 COUNTY: Clay and Roane
PURPOSE: New Money X
OF ISSUE: Refunding ___ Refunds issue dated: N/A
ISSUE DATE: November 12, 2004 CLOSING DATE: November 12, 2004
ISSUE AMOUNT: $360,000 RATE: 4.5%
1ST DEBT SERVICE DUE: N/A 1ST PRINCIPAL DUE: N/A
1ST DEBT SERVICE AMT.: N/A PAYING AGENT: None (District pays USDA directly)

BOND COUNSEL: Goodwin & Goodwin, LLP
Contact Person: W.K. Bragg, Jr.
Phone 346-7000

REGISTRAR: Clay County Bank, Inc.
Contact Person: J. Gregory Gency
Phone: (304) 587-4221

KNOWLEDGABLE ISSUER CONTACT:
Contact Person: Melissa Postelwait
Position: Chairperson
Phone: (304) 548-5209

LENDER: US Dep't. of Agriculture
Contact Person: Virginia M. McDonald
Phone: (304) 420-6666

----------DEPOSITS TO MBC AT CLOSE: ----------

By ___ Wire
___ Check

___ Accrued Interest: $_____
___ Capitalized Interest: $_____
___ Reserve Account: $_____
___ Other: _____ $_____

----------REFUNDS & TRANSFERS BY MBC AT CLOSE: ----------

By ___ Wire
___ Check
___ IGT

___ To Escrow Trustee: $_____
___ To Issuer: $_____
___ To Cons. Invest. Fund:$_____
___ Other: _____ $_____

Notes: The Bond Commission will only hold the Series 2004 B Bonds Reserve Account. Debt service payments will be made by the District directly to the National Finance Office.

FOR MUNICIPAL BOND COMMISSION USE ONLY:
DOCUMENTS
REQUIRED: _____
TRANSFERS
REQUIRED: _____

State of West Virginia

OFFICE OF ENVIRONMENTAL HEALTH SERVICES

815 QUARRIER STREET, SUITE 418 CHARLESTON, WEST VIRGINIA 25301-2616
TELEPHONE 304-558-2981

PERMIT

PROJECT: (Water) Amma/Lefthand Water Line Extension PERMIT NO.: 15,431

LOCATION: Amma/Lefthand COUNTY: Clay/Roane DATE: 10-28-2002

THIS IS TO CERTIFY that after reviewing plans, specifications, application forms, and other essential information that

Clay-Roane Public Service District
Post Office Box 40
Valley Fork, West Virginia 25283

is hereby granted approval to: amend and modify Permit No. 13,826, issued September 22, 1998 and Permit No. 14,608, issued August 24, 2000, for the Amma-Lefthand water line extension project. The permit will be extended to September 22, 2004.

NOTE: All unchanged conditions and requirements of Permit Nos. 13,826 and 14,608 remain in effect.

The Environmental Engineering Division of the St. Albans District Office (304) 722-0611, is to be notified when construction begins.

Validity of this permit is contingent upon conformity with plans, specifications, application forms, and other information submitted to the West Virginia Bureau for Public Health.

FOR THE DIRECTOR

William S. Herold, Jr., P.E., Assistant Manager
Infrastructure and Capacity Development
Environmental Engineering Division

WSH:sec

pc: Boyles and Hildreth, Consulting Engineers
Katy Mallory, WVIJDC
James W. Ellars, P.E., PSC-Engineering Division
Clay County Health Department
Roane County Health Department
OEHS-EED St. Albans District Office

CERTIFICATE OF LIABILITY INSURANCE

ADDITIONAL INSURED: CLAY-ROANE PUBLIC SERVICE DISTRICT
P O BOX 8
PROCIOUS, WV 25164

CERTIFICATE NO: L 2716 - Nov 5, 1990

This certifies that the insured named above is an Additional Insured for the Coverage indicated below under General Liability Policy GL 4806295 and Automobile Policy CA 5189013 issued to the State of West Virginia by NATIONAL UNION FIRE INSURANCE CO. OF PITTSBURGH, PA.

COVERAGE PERIOD: Jul 1, 2004 to Jul 1, 2005 12:01 a.m. Eastern Time

COVERAGE AFFORDED: Comprehensive General Liability Insurance
Personal Injury Liability Insurance
Professional Liability Insurance
Stop Gap Liability Insurance
Wrongful Act Liability Coverage
Comprehensive Auto Liability Coverage
Auto Physical Damage Insurance
Garagekeepers Insurance

LIMIT OF LIABILITY: $1,000,000 each occurencex and is SUBJECT TO $2,500 DEDUCTIBLE. *For all coverages combined. This limit is not increased if a claim is insured under more than one coverage or if claim is made against more than one insured.

SPECIAL LIMITS: The auto physical damage limit is the actual cash value of each vehicle subject to a deductible of $1,000.

CLAIM REPORTING: Claims should be reported to:
Claim Manager
West Virginia Board of Risk & Insurance Management
90 MacCorkle Avenue S.W.Suite 203
South Charleston, West Virginia 25303

Claims Made Prior Acts Date: November 5, 1990

THE INSURANCE EVIDENCED BY THIS CERTIFICATE IS SUBJECT TO ALL OF THE TERMS, CONDITIONS, EXCLUSIONS AND DEFINITIONS IN THE POLICIES. IT IS A CONDITION PRECEDENT OF COVERAGE UNDER THE POLICIES THAT THE ADDITIONAL INSURED DOES NOT WAIVE ANY STATUTORY OR COMMON LAW IMMUNITY CONFERRED UPON IT.

BY: _____ DATED: June 30, 2004
AUTHORIZED REPRESENTATIVE

AGENT OF RECORD: JIM LIVELY INSURANCE INC.
CLAY OFFICE
P.O. BOX 360
CLAY, WV 25043

CERTIFICATE OF PROPERTY INSURANCE

INSURED: CLAY-ROANE PUBLIC SERVICE DISTRICT

P O BOX 8
PROCIOUS, WV 25164

CERTIFICATE NO: P 2716 - Nov 5, 1990

This certifies that the Additional Insured named above is insured for first party Property Coverages procured and/or administered by the West Virginia Board of Risk and Insurance Management (BRIM). The coverages are provided through a combination of custom designed and conventional commercial insurance products.

THE INSURANCE EVIDENCED BY THIS CERTIFICATE IS SUBJECT TO ALL OF THE TERMS, CONDITIONS, EXCLUSIONS AND DEFINITIONS CONTAINED IN THE POLICIES.

COVERAGE PERIOD: Jul 1, 2004 to Jul 1, 2005 12:01 a.m. Eastern Time.

LIMIT OF LIABILITY: Stated values, for real and personal property, which have been declared to and accepted by BRIM, not to exceed the maximum coverage procured by BRIM.

Individual Faithful Performance Bonds are limited to the amount of coverage that is required by statute.

SPECIAL LIMITS: Each policy shall be governed by the special limits of liability contained therein.

DEDUCTIBLE: The State of West Virginia has a $1,000,000.00 deductible on coverages it procures. The above listed insured has a $2,500 deductible that is applicable to each loss.

CLAIM REPORTING: Claims should be reported to:
Claim Manager
West Virginia Board of Risk & Insurance Management
90 MacCorkle Avenue S.W.Suite 203
South Charleston, West Virginia 25303

BY: _____ DATED: June 30, 2004
AUTHORIZED REPRESENTATIVE

AGENT OF RECORD: JIM LIVELY INSURANCE INC.
CLAY OFFICE
P.O. BOX 360
CLAY, WV 25043

IC-2
(7/30/01)

GRANT AGREEMENT

This Grant Agreement entered into by and between the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY (the "Authority"), on behalf of the WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL(the "Council") and CLAY-ROANE PUBLIC SERVICE DISTRICT (the "Governmental Agency").

RECITALS

WHEREAS, the Council has authorized the Authority to make a grant to the Governmental Agency in the amount not to exceed $2,415,000 (the "Grant") for the purposes of the design, acquisition or construction of a project for which a preliminary application has been submitted and approved by the Council;

WHEREAS, the Governmental Agency wishes to accept the Grant upon such terms and conditions as are hereinafter set forth for the purposes of designing, acquiring or constructing the project described in Exhibit A attached hereto and incorporated herein by reference (the "Project");

WHEREAS, this Grant Agreement sets forth the Council, the Authority and the Governmental Agency's understandings and agreements with regard to the Grant.

NOW, THEREFORE, in consideration of the premises and the mutual agreements hereinafter contained, the Authority and the Governmental Agency hereby agree as follows:

TERMS

1. Prior to the distribution of the Grant, the Governmental Agency shall provide the Authority with a Project budget and an anticipated monthly draw schedule reflecting the receipt dates and amounts from other funding sources.

2. The Authority shall advance the Council's share of the Project costs from the Grant from time to time upon receipt of a requisition evidencing the costs incurred, which requisition must be satisfactory to the Authority.

3. The monthly requisition will also set forth (i) the amounts requested for that requisition period from all other funding agencies, and (ii) the amounts advanced for the Project to date from all other funding agencies.

4. The Governmental Agency will use the proceeds of the Grant only for the purposes specifically set forth in Exhibit A.

5. The Governmental Agency shall comply with and is bound by the Council's rules set forth as Title 167, Series 1 and more particularly Section 5.9 with respect to the sale of the Project.

6. The Governmental Agency acknowledges that the Grant may be reduced, from time to time, to reflect actual Project costs and availability of other funding.

7. The Governmental Agency shall list the Grant provided by the Authority and the Council in any press release, publication, program bulletin, sign or other public communication that references the Project, including but not limited to any program document distributed in conjunction with any groundbreaking or dedication of the Project.

8. This Grant Agreement shall be governed by the laws of the State of West Virginia.

IN WITNESS WHEREOF, the parties hereto have caused this Grant Agreement to be executed by the respective duly authorized officers as of the date executed below by the Authority.

CLAY-ROANE PUBLIC SERVICE DISTRICT

By: Melissa Postelwait
Its: Chairperson
Date: November 12, 2004

(SEAL)

Attest:
Crystal McKinney
Its: Secretary

WEST VIRGINIA WATER
DEVELOPMENT AUTHORITY

By: Daniel B. Yorkosky
Its: Director
Date: November 12, 2004

(SEAL)

Attest:

Barbara B Meadows
Its: Secretary-Treasurer

000832/00466
09/15/04

Exhibit A

Project Description

The Project consists of construction of water extensions to serve approximately 240 new customers in southern Roane County and northwestern Clay County, West Virginia, together with all appurtenant facilities.

Form FmHA 1942-31
(Rev. 12-89)

MAR 10 1997

FORM APPROVED
OMB NO. 0575-0074

UNITED STATES DEPARTMENT OF AGRICULTURE
FARMERS HOME ADMINISTRATION

COPY

ASSOCIATION WATER OR SEWER SYSTEM GRANT AGREEMENT

THIS AGREEMENT dated March 6, 19 97, between

Clay Roane Public Service District

a public corporation organized and operating under

Chapter 16, Article 13A, West Virginia Code
(Authorizing Statute)

herein called "Grantee," and the United States of America acting through the Farmers Home Administration, Department of Agriculture, herein called "Grantor," WITNESSETH:

WHEREAS

Grantee has determined to undertake a project of acquisition, construction, enlargement, or capital improvement of a (water) (sewer) system to serve the area under its jurisdiction at an estimated cost of $ 3,400,000 and has duly authorized the undertaking of such project.

Grantee is able to finance not more than $ 2,650,000 of the development costs through revenues, charges, taxes or assessments, or funds otherwise available to Grantee resulting in a reasonable user charge.

Said sum of $ 2,650,000 has been comitted to and by Grantee for such project development costs.

Grantor has agreed to grant the Grantee a sum not to exceed $ 750,000 or 75 percent of said development costs, whichever is the lesser, subject to the terms and conditions established by the Grantor. Provided, however, that the proportionate share of any grant funds actually advanced and not needed for grant purposes shall be returned immediately to the Grantor. The Grantor may terminate the grant in whole, or in part, at any time before the date of completion, whenever it is determined that the Grantee has failed to comply with the conditions of the grant.

NOW, THEREFORE, In consideration of said grant by Grantor to Grantee, to be made pursuant to Section 306 (a) of the Consolidated Farm and Rural Development Act for the purpose only of defraying a part not to exceed 75 percent of the development costs, as defined by applicable Farmers Home Administration instructions.

GRANTEE AGREES THAT GRANTEE WILL:

A. Cause said project to be constructed within the total sums available to it, including said grant, in accordance with the project plans and specifications and any modifications thereof prepared by Grantee and approved by Grantor.

B. Permit periodic inspection of the construction by a representative of Grantor during construction.

C. Comply with any measures identified in the Government's environmental impact analysis for this facility for the purpose of avoiding or reducing the adverse environmental impacts of the facility's construction or operation.

D. Comply with all applicable state and federal laws and regulations and manage, operate and maintain the system, including this project if less than the whole of said system, continuously in an efficient and economical manner.

E. Make the services of said system available within its capacity to all persons in Grantee's service area without discrimination as to race, color, religion, sex, national origin, age, marital status, or physical or mental handicap (possess capacity to enter into legal contract for services) at reasonable charges, including assessments, taxes, or fees in accordance with a schedule of such charges, whether for one or more classes of service, as approved by the West Virginia Public Service Commission ~~xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx~~ as may be modified from time to time by Grantee. The initial rate schedule must be approved by Grantor. Thereafter, Grantee may make such modifications to the rate system as long as the rate schedule remains reasonable and nondiscriminatory.

Public reporting burden for this collection of information is estimated to average 2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Department of Agriculture, Clearance Officer, OIRM, Room 404-W, Washington, D.C. 20250; and to the Office of Management and Budget, Paperwork Reduction Project (OMB No. 0575-0074), Washington, D.C. 20503.

F. Adjust its operating costs and service charges from time to time to provide for adequate operation and maintenance, emergency repair reserves, obsolescence reserves, debt service and debt service reserves.

G. Expand its system from time to time to meet reasonably anticipated growth or service requirements in the area within its jurisdiction.

H. Provide Grantor with such periodic reports as it may require and permit periodic inspection of its operations by a representative of the Grantor.

I. To execute Forms FmHA 400-1, "Equal Opportunity Agreement," and FmHA 400-4, "Assurance Agreement," and any other agreements required by Grantor which Grantee is legally authorized to execute. If any such forms have been executed by Grantee as a result of a loan being made to Grantee by Grantor contemporaneously with the making of this Grant, another form of the same type need not be executed in connection with this Grant.

J. Upon any default under its representations or agreements set forth in this instrument, or in the instruments incident to the awarding of the grant, Grantee, at the option and demand of Grantor, to the extent legally permissible, will repay to grantor forthwith the original amount of the grant received with the interest accruing thereon from the date of default at the market rate for water and waste disposal loan assistance in effect on the date hereof or at the time the default occurred, whichever is greater. Default by the Grantee will constitute termination of the grant thereby causing cancellation of Federal assistance under the grant. The provisions of this Grant Agreement may be enforced by Grantor, at its option and without regard to prior waivers by it of previous defaults of Grantee, by judicial proceedings to require specific performance of the terms of this Grant Agreement or by such other proceedings in law or equity, in either Federal or State courts, as may be deemed necessary by Grantor to assure compliance with the provisions of this Grant Agreement and the laws and regulations under which this grant is made.

K. Return immediately to Grantor, as required by the regulations of Grantor, any grant funds actually advanced and not needed by Grantee for approved purposes.

L. Use the real property including land, land improvements, structures, and appurtenances thereto, for authorized purposes of the grant as long as needed.

1. Title to real property shall vest in the recipient subject to the condition that the Grantee shall use the real property for the authorized purpose of the original grant as long as needed.

2. The Grantee shall obtain approval by the Grantor agency for the use of the real property in other projects when the Grantee determines that the property is no longer needed for the original grant purposes. Use in other projects shall be limited to those under other Federal grant programs or programs that have purposes consistent with those authorized for support by the Grantor.

3. When the real property is no longer needed as provided in 1 and 2 above, the Grantee shall request disposition instructions from the Grantor agency or its successor Federal agency. The Grantor agency shall observe the following rules in the disposition instructions:

(a) The Grantor may be permitted to retain title after it compensates the Federal Government in an amount computed by applying the Federal percentage of participation in the cost of the original project to the fair market value of the property.

(b) The Grantee may be directed to sell the property under guidelines provided by the Grantor agency and pay the Federal Government an amount computed by applying the Federal percentage of participation in the cost of the original project to the proceeds from sale (after deducting actual and reasonable selling and fix-up expenses, if any, from the sale proceeds). When the Grantee is authorized or required to sell the property, proper sales procedures shall be established that provide for competition to the extent practicable and result in the highest possible return.

(c) The Grantee may be directed to transfer title to the property to the Federal Government provided that in such cases the Grantee shall be entitled to compensation computed by applying the Grantee's percentage of participation in the cost of the program or project to the current fair market value of the property.

The Grant Agreement covers the following described real property (use continuation sheets as necessary).
Approximately 87,500 LF of eight-inch waterline, 42,000 LF of six-inch waterline, 11,000 LF of two-inch waterline, 59 fire hydrants, two 100,000 gallon water storage tanks and other necessary appurtenances to provide potable water service for 240 families in the Left Hand/ Amma areas of Clay and Roane counties, West Virginia.

M. Abide by the following conditions pertaining to nonexpendable personal property which is furnished by the Grantor or acquired wholly or in part with grant funds. Nonexpendable personal property means tangible personal property having a useful life of more than one year and an acquisition cost of $300 or more per unit. A Grantee may use its own definition of nonexpendable personal property provided such definition would at least include all tangible personal personal property as defined above.

1. Use of nonexpendable property.

(a) The Grantee shall use the property in the project for which it was acquired as long as needed. When no longer needed for the original project, the Grantee shall use the property in connection with its other Federally sponsored activities, if any, in the following order of priority:

(1) Activities sponsored by FmHA.

(2) Activities sponsored by other Federal agencies.

(b) During the time that nonexpendable personal property is held for use on the project for which it was acquired, the Grantee shall make it available for use on other projects if such other use will not interfere with the work on the project for which the property was originally acquired. First preference for such other use shall be given to FmHA sponsored projects. Second preference will be given to other Federally sponsored projects.

2. Disposition of nonexpendable property. When the Grantee no longer needs the property as provided in paragraph (a) above, the property may be used for other activites in accordance with the following standards:

(a) Nonexpendable property with a unit acquisition cost of less than $1,000. The Grantee may use the property for other activities without reimbursement to the Federal Government or sell the property and retain the proceeds.

(b) Nonexpendable personal property with a unit acquisiton cost of $1,000 or more. The Grantee may retain the property for other uses provided that compensation is made to the original Grantor agency or its successor. The amount of compensation shall be computed by applying the percentage of Federal participation in the cost of the original project or program to the current fair market value of the property. If the Grantee has no need for the property and the property has further use value, the Grantee shall request disposition instructions from the original Grantor agency.

The Grantor agency shall determine whether the property can be used to meet the agency's requirements. If no requirement exists within that agency, the availability of the property shall be reported, in accordance with the guidelines of the Federal Property Management Regulations (FPMR), to the General Services Administration by the Grantor agency to determine whether a requirement for the property exists in other Federal agencies. The Grantor agency shall issue instructions to the Grantee no later than 120 days after the Grantee request and the following procedures shall govern:

(1) If so instructed or if disposition instructions are not issued within 120 calendar days after the Grantee's request, the Grantee shall sell the property and reimburse the Grantor agency an amount computed by applying to the sales proceeds the percentage of Federal participation in the cost of the original project or program. However, the Grantee shall be permitted to deduct and retain from the Federal share $100 or ten percent of the proceeds, whichever is greater, for the Grantee's selling and handling expenses.

(2) If the Grantee is instructed to ship the property elsewhere the Grantee shall be reimbursed by the benefitting Federal agency with an amount which is computed by applying the percentage of the Grantee participation in the cost of the original grant project or program to the current fair market value of the property, plus any reasonable shipping or interim storage costs incurred.

(3) If the Grantee is instructed to otherwise dispose of the property, the Grantee shall be reimbursed by the Grantor agency for such costs incurred in its disposition.

3. The Grantee's property management standards for nonexpendable personal property shall also include:

(a) Property records which accurately provide for: a description of the property; manufacturer's serial number or other identification number; acquisition date and cost; source of the property; percentage (at the end of budget year) of Federal participation in the cost of the project for which the property was acquired; location, use and condition of the property and the date the information was reported; and ultimate disposition data including sales price or the method used to determine current fair market value if the Grantee reimburses the Grantor for its share.

(b) A physical inventory of property shall be taken and the results reconciled with the property records at least once every two years to verify the existence, current utilization, and continued need for the property.

(c) A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft of nonexpendable property shall be investigated and fully documented.

(d) Adequate maintenance procedures shall be implemented to keep the property in good condition.

(e) Proper sales procedures shall be established for unneeded property which would provide for competition to the extent practicable and result in the highest possible return.

This Grant Agreement covers the following described nonexpendable property (use continuation sheets as necessary).

None

N. Provide Financial Management Systems which will include:

1. Accurate, current, and complete disclosure of the financial results of each grant. Financial reporting will be on an accrual basis.

2. Records which identify adequately the source and application of funds for grant-supported activities. Those records shall contain information pertaining to grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays, and income.

3. Effective control over and accountability for all funds, property and other assets. Grantees shall adequately safeguard all such assets and shall assure that they are used solely for authorized purposes.

4. Accounting records supported by source documentation.

O. Retain financial records, supporting documents, statistical records, and all other records pertinent to the grant for a period of at least three years after grant closing except that the records shall be retained beyond the three-year period if audit findings have not been resolved. Microfilm copies may be substituted in lieu of original records. The Grantor and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access to any books, documents, papers, and records of the Grantee's government which are pertinent to the specific grant program for the purpose of making audits, examinations, excerpts and transcripts.

P. Provide information as requested by the Grantor to determine the need for and complete any necessary Environmental Impact Statements.

Q. Provide an audit report prepared in sufficient detail to allow the Grantor to determine that funds have been used in compliance with the proposal, any applicable laws and regulations and this Agreement.

R. Agree to account for and to return to Grantor interest earned on grant funds pending this disbursement for program purposes when the Grantee is a unit of local government or a nonprofit organization. States and agencies or instrumentalities of states shall not be held accountable for interest earned on grant funds pending their disbursement.

S. Not encumber, transfer or dispose of the property or any part thereof, furnished by the Grantor or acquired wholly or in part with Grantor funds without the written consent of the Grantor except as provided in items K and L above.

T. Include in all contracts for construction or repair a provision for compliance with the Copeland "Anti-Kick Back" Act (18 U.S.C. 874) as supplemented in Department of Labor regulations (29 CFR, Part 3). The Grantee shall report all suspected or reported violations to the Grantor.

U. In construction contracts in excess of $2,000 and in other contracts in excess of $2,500 which involve the employment of mechanics or laborers, to include a provision for compliance with Sections 103 and 107 of the Contract Work Hours and Safety Standards Act (40 U.S.C. 327-330) as supplemented by Department of Labor regulations (29 CFR, Part 5).

V. To include in all contracts in excess of $100,000 a provision that the contractor agrees to comply with all the requirements of Section 114 of the Clean Air Act (42 U.S.C. §1875C-9) and Section 308 of the Water Pollution Control Act (33 U.S.C. §1318) relating to inspection, monitoring, entry, reports, and information, as well as all other requirements specified in Section 114 of the Clean Air Act and Section 308 of the Water Pollution Control Act and all regulations and guidelines issued thereunder after the award of the contract. Such regulations and guidelines can be found in 40 CFR 15.4 and 40 FR 17126 dated April 16, 1975. In so doing the Contractor further agrees:

1. As a condition for the award of contract, to notify the Owner of the receipt of any communication from the Environmental Protection Agency (EPA) indicating that a facility to be utilized in the performance of the contract is under consideration to be listed on the EPA list of Violating Facilities. Prompt notification is required prior to contract award.

2. To certify that any facility to be utilized in the performance of any nonexempt contractor subcontract is not listed on the EPA list of Violating Facilities pursuant to 40 CFR 15.20 as of the date of contract award.

3. To include or cause to be included the above criteria and the requirements in every nonexempt subcontract and that the Contractor will take such action as the Government may direct as a means of enforcing such provisions.

As used in these paragraphs the term "facility" means any building, plan, installation, structure, mine, vessel or other floating craft, location, or site of operations, owned, leased, or supervised by a Grantee, cooperator, contractor, or subcontractor, to be utilized in the performance of a grant, agreement,contract, subgrant, or subcontract. Where a location or site of operation contains or includes more than one building, plant, installation, or structure, the entire location shall be deemed to be a facility except where the Director, Office of Federal Activities, Environmental Protection Agency, determines that independent facilities are co-located in one geographical area.

W. The following clause is applicable to nonprofit organizations:

As a condition of this Grant or Cooperative Agreement, the recipient assures and certifies that it is in compliance with and will comply in the course of the Agreement with all applicable laws, regulations, Executive Orders and other generally applicable requirements, including those set out in 7 CFR 3015.205(b), which hereby are incorporated in this Agreement by reference, and such statutory provisions as are specifically set forth herein.

GRANTOR AGREES THAT IT:

A. Will make available to Grantee for the purpose of this Agreement not to exceed $ 750,000

which it will advance to Grantee to meet not to exceed 75 percent of the development costs of the project in accordance with the actual needs of Grantee as determined by Grantor.

B. Will assist Grantee, within available appropriations, with such technical assistance as Grantor deems appropriate in planning the project and coordinating the plan with local official comprehensive plans for sewer and water and with any State or area plans for the area in which the project is located.

C. At its sole discretion and at any time may give any consent, deferment, subordination, release, satisfaction, or termination of any or all of Grantee's grant obligations, with or without valuable consideration, upon such terms and conditions as Grantor may determine to be (1) advisable to further the purpose of the grant or to protect Grantor's financial interest therein and (2) consistent with both the statutory purposes of the grant and the limitations of the statutory authority under which it is made.

TERMINATION OF THIS AGREEMENT

This Agreement may be terminated for cause in the event of default on the part of the Grantee as provided in Paragraph I above or for convenience of the Grantor and Grantee prior to the date of completion of the grant purpose. Termination for convenience will occur when both the Grantee and Grantor agree that the continuation of the project will not produce beneficial results commensurate with the further expenditure of funds.

IN WITNESS WHEREOF Grantee on the date first above written has caused these presence to be executed by its duly authorized Chairman

and attested and its corporated seal affixed by its duly authorized Secretary

ATTEST:

By _____
Keith Hypes

Secretary
(Title)

By _____
Telford G. Cruikshank, Jr.

Chairman
(Title)

UNITED STATES OF AMERICA
FARMERS HOME ADMINISTRATION

By _____
Virginia M. McDonald

Rural Development Specialist
(Title)

November 12, 2004

☆ U.S. Government Printing Office: 1995–655-046/60179

Form FmHA 1942-31
(Rev. 12-89)

FORM APPROVED
OMB NO. 0575-0074

UNITED STATES DEPARTMENT OF AGRICULTURE
FARMERS HOME ADMINISTRATION

COPY

ASSOCIATION WATER OR SEWER SYSTEM GRANT AGREEMENT

THIS AGREEMENT dated September 4, 1997, 19 ___, between

Clay Roane Public Service District

a public corporation organized and operating under

Chapter 16, Article 13A, West Virginia Code
(Authorizing Statute)

herein called "Grantee," and the United States of America acting through the Farmers Home Administration, Department of Agriculture, herein called "Grantor," WITNESSETH:

WHEREAS

Grantee has determined to undertake a project of acquisition, construction, enlargement, or capital improvement of a (water) (sewer) system to serve the area under its jurisdiction at an estimated cost of $ 3,400,000 and has duly authorized the undertaking of such project.

Grantee is able to finance not more than $ 3,310,000 of the development costs through revenues, charges, taxes or assessments, or funds otherwise available to Grantee resulting in a reasonable user charge.

Said sum of $ 3,310,000 has been comitted to and by Grantee for such project development costs.

Grantor has agreed to grant the Grantee a sum not to exceed $ 90,000 or 75 percent of said development costs, whichever is the lesser, subject to the terms and conditions established by the Grantor. Provided, however, that the proportionate share of any grant funds actually advanced and not needed for grant purposes shall be returned immediately to the Grantor. The Grantor may terminate the grant in whole, or in part, at any time before the date of completion, whenever it is determined that the Grantee has failed to comply with the conditions of the grant.

NOW, THEREFORE, In consideration of said grant by Grantor to Grantee, to be made pursuant to Section 306 (a) of the Consolidated Farm and Rural Development Act for the purpose only of defraying a part not to exceed 75 percent of the development costs, as defined by applicable Farmers Home Administration instructions.

GRANTEE AGREES THAT GRANTEE WILL:

A. Cause said project to be constructed within the total sums available to it, including said grant, in accordance with the project plans and specifications and any modifications thereof prepared by Grantee and approved by Grantor.

B. Permit periodic inspection of the construction by a representative of Grantor during construction.

C. Comply with any measures identified in the Government's environmental impact analysis for this facility for the purpose of avoiding or reducing the adverse environmental impacts of the facility's construction or operation.

D. Comply with all applicable state and federal laws and regulations and manage, operate and maintain the system, including this project if less than the whole of said system, continuously in an efficient and economical manner.

E. Make the services of said system available within its capacity to all persons in Grantee's service area without discrimination as to race, color, religion, sex, national origin, age, marital status, or physical or mental handicap (possess capacity to enter into legal contract for services) at reasonable charges, including assessments, taxes, or fees in accordance with a schedule of such charges, whether for one or more classes of service, as approved by the West Virginia Public Service Commission as may be modified from time to time by Grantee. The initial rate schedule must be approved by Grantor. Thereafter, Grantee may make such modifications to the rate system as long as the rate schedule remains reasonable and nondiscriminatory.

Public reporting burden for this collection of information is estimated to average 2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Department of Agriculture, Clearance Officer, OIRM, Room 404-W, Washington, D.C. 20250; and to the Office of Management and Budget, Paperwork Reduction Project (OMB No. 0575-0074), Washington, D.C. 20503.

F. Adjust its operating costs and service charges from time to time to provide for adequate operation and maintenance, emergency repair reserves, obsolescence reserves, debt service and debt service reserves.

G. Expand its system from time to time to meet reasonably anticipated growth or service requirements in the area within its jurisdiction.

H. Provide Grantor with such periodic reports as it may require and permit periodic inspection of its operations by a representative of the Grantor.

I. To execute Forms FmHA 400-1, "Equal Opportunity Agreement," and FmHA 400-4, "Assurance Agreement," and any other agreements required by Grantor which Grantee is legally authorized to execute. If any such forms have been executed by Grantee as a result of a loan being made to Grantee by Grantor contemporaneously with the making of this Grant, another form of the same type need not be executed in connection with this Grant.

J. Upon any default under its representations or agreements set forth in this instrument, or in the instruments incident to the awarding of the grant, Grantee, at the option and demand of Grantor, to the extent legally permissible, will repay to grantor forthwith the original amount of the grant received with the interest accruing thereon from the date of default at the market rate for water and waste disposal loan assistance in effect on the date hereof or at the time the default occurred, whichever is greater. Default by the Grantee will constitute termination of the grant thereby causing cancellation of Federal assistance under the grant. The provisions of this Grant Agreement may be enforced by Grantor, at its option and without regard to prior waivers by it of previous defaults of Grantee, by judicial proceedings to require specific performance of the terms of this Grant Agreement or by such other proceedings in law or equity, in either Federal or State courts, as may be deemed necessary by Grantor to assure compliance with the provisions of this Grant Agreement and the laws and regulations under which this grant is made.

K. Return immediately to Grantor, as required by the regulations of Grantor, any grant funds actually advanced and not needed by Grantee for approved purposes.

L. Use the real property including land, land improvements, structures, and appurtenances thereto, for authorized purposes of the grant as long as needed.

1. Title to real property shall vest in the recipient subject to the condition that the Grantee shall use the real property for the authorized purpose of the original grant as long as needed.

2. The Grantee shall obtain approval by the Grantor agency for the use of the real property in other projects when the Grantee determines that the property is no longer needed for the original grant purposes. Use in other projects shall be limited to those under other Federal grant programs or programs that have purposes consistent with those authorized for support by the Grantor.

3. When the real property is no longer needed as provided in 1 and 2 above, the Grantee shall request disposition instructions from the Grantor agency or its successor Federal agency. The Grantor agency shall observe the following rules in the disposition instructions:

(a) The Grantor may be permitted to retain title after it compensates the Federal Government in an amount computed by applying the Federal percentage of participation in the cost of the original project to the fair market value of the property.

(b) The Grantee may be directed to sell the property under guidelines provided by the Grantor agency and pay the Federal Government an amount computed by applying the Federal percentage of participation in the cost of the original project to the proceeds from sale (after deducting actual and reasonable selling and fix-up expenses, if any, from the sale proceeds). When the Grantee is authorized or required to sell the property, proper sales procedures shall be established that provide for competition to the extent practicable and result in the highest possible return.

(c) The Grantee may be directed to transfer title to the property to the Federal Government provided that in such cases the Grantee shall be entitled to compensation computed by applying the Grantee's percentage of participation in the cost of the program or project to the current fair market value of the property.

The Grant Agreement covers the following described real property (use continuation sheets as necessary).
Approximately 87,500 LF of eight-inch waterline, 42,000 LF of six-inch waterline, 11,000 LF of two-inch waterline, 59 fire hydrants, two 100M gallon water storage tanks and other necessary appurtenances to provide potable water service to 240 families in the Left Hand/ Amma areas of Clay and Roane Counties, West Virginia.

M. Abide by the following conditions pertaining to nonexpendable personal property which is furnished by the Grantor or acquired wholly or in part with grant funds. Nonexpendable personal property means tangible personal property having a useful life of more than one year and an acquisition cost of $300 or more per unit. A Grantee may use its own definition of nonexpendable personal property provided such definition would at least include all tangible personal personal property as defined above.

1. Use of nonexpendable property.

(a) The Grantee shall use the property in the project for which it was acquired as long as needed. When no longer needed for the original project, the Grantee shall use the property in connection with its other Federally sponsored activities, if any, in the following order of priority:

(1) Activities sponsored by FmHA.

(2) Activities sponsored by other Federal agencies.

(b) During the time that nonexpendable personal property is held for use on the project for which it was acquired, the Grantee shall make it available for use on other projects if such other use will not interfere with the work on the project for which the property was originally acquired. First preference for such other use shall be given to FmHA sponsored projects. Second preference will be given to other Federally sponsored projects.

2. Disposition of nonexpendable property. When the Grantee no longer needs the property as provided in paragraph (a) above, the property may be used for other activites in accordance with the following standards:

(a) Nonexpendable property with a unit acquisition cost of less than $1,000. The Grantee may use the property for other activities without reimbursement to the Federal Government or sell the property and retain the proceeds.

(b) Nonexpendable personal property with a unit acquisiton cost of $1,000 or more. The Grantee may retain the property for other uses provided that compensation is made to the original Grantor agency or its successor. The amount of compensation shall be computed by applying the percentage of Federal participation in the cost of the original project or program to the current fair market value of the property. If the Grantee has no need for the property and the property has further use value, the Grantee shall request disposition instructions from the original Grantor agency.

The Grantor agency shall determine whether the property can be used to meet the agency's requirements. If no requirement exists within that agency, the availability of the property shall be reported, in accordance with the guidelines of the Federal Property Management Regulations (FPMR), to the General Services Administration by the Grantor agency to determine whether a requirement for the property exists in other Federal agencies. The Grantor agency shall issue instructions to the Grantee no later than 120 days after the Grantee request and the following procedures shall govern:

(1) If so instructed or if disposition instructions are not issued within 120 calendar days after the Grantee's request, the Grantee shall sell the property and reimburse the Grantor agency an amount computed by applying to the sales proceeds the percentage of Federal participation in the cost of the original project or program. However, the Grantee shall be permitted to deduct and retain from the Federal share $100 or ten percent of the proceeds, whichever is greater, for the Grantee's selling and handling expenses.

(2) If the Grantee is instructed to ship the property elsewhere the Grantee shall be reimbursed by the benefitting Federal agency with an amount which is computed by applying the percentage of the Grantee participation in the cost of the original grant project or program to the current fair market value of the property, plus any reasonable shipping or interim storage costs incurred.

(3) If the Grantee is instructed to otherwise dispose of the property, the Grantee shall be reimbursed by the Grantor agency for such costs incurred in its disposition.

3. The Grantee's property management standards for nonexpendable personal property shall also include:

(a) Property records which accurately provide for: a description of the property; manufacturer's serial number or other identification number; acquisition date and cost; source of the property; percentage (at the end of budget year) of Federal participation in the cost of the project for which the property was acquired; location, use and condition of the property and the date the information was reported; and ultimate disposition data including sales price or the method used to determine current fair market value if the Grantee reimburses the Grantor for its share.

(b) A physical inventory of property shall be taken and the results reconciled with the property records at least once every two years to verify the existence, current utilization, and continued need for the property.

(c) A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft of nonexpendable property shall be investigated and fully documented.

(d) Adequate maintenance procedures shall be implemented to keep the property in good condition.

(e) Proper sales procedures shall be established for unneeded property which would provide for competition to the extent practicable and result in the highest possible return.

This Grant Agreement covers the following described nonexpendable property (use continuation sheets as necessary).

None

N. Provide Financial Management Systems which will include:

1. Accurate, current, and complete disclosure of the financial results of each grant. Financial reporting will be on an accrual basis.

2. Records which identify adequately the source and application of funds for grant-supported activities. Those records shall contain information pertaining to grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays, and income.

3. Effective control over and accountability for all funds, property and other assets. Grantees shall adequately safeguard all such assets and shall assure that they are used solely for authorized purposes.

4. Accounting records supported by source documentation.

O. Retain financial records, supporting documents, statistical records, and all other records pertinent to the grant for a period of at least three years after grant closing except that the records shall be retained beyond the three-year period if audit findings have not been resolved. Microfilm copies may be substituted in lieu of original records. The Grantor and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access to any books, documents, papers, and records of the Grantee's government which are pertinent to the specific grant program for the purpose of making audits, examinations, excerpts and transcripts.

P. Provide information as requested by the Grantor to determine the need for and complete any necessary Environmental Impact Statements.

Q. Provide an audit report prepared in sufficient detail to allow the Grantor to determine that funds have been used in compliance with the proposal, any applicable laws and regulations and this Agreement.

R. Agree to account for and to return to Grantor interest earned on grant funds pending this disbursement for program purposes when the Grantee is a unit of local government or a nonprofit organization. States and agencies or instrumentalities of states shall not be held accountable for interest earned on grant funds pending their disbursement.

S. Not encumber, transfer or dispose of the property or any part thereof, furnished by the Grantor or acquired wholly or in part with Grantor funds without the written consent of the Grantor except as provided in items K and L above.

T. Include in all contracts for construction or repair a provision for compliance with the Copeland "Anti-Kick Back" Act (18 U.S.C. 874) as supplemented in Department of Labor regulations (29 CFR, Part 3). The Grantee shall report all suspected or reported violations to the Grantor.

U. In construction contracts in excess of $2,000 and in other contracts in excess of $2,500 which involve the employment of mechanics or laborers, to include a provision for compliance with Sections 103 and 107 of the Contract Work Hours and Safety Standards Act (40 U.S.C. 327-330) as supplemented by Department of Labor regulations (29 CFR, Part 5).

V. To include in all contracts in excess of $100,000 a provision that the contractor agrees to comply with all the requirements of Section 114 of the Clean Air Act (42 U.S.C. §1875C-9) and Section 308 of the Water Pollution Control Act (33 U.S.C. §1318) relating to inspection, monitoring, entry, reports, and information, as well as all other requirements specified in Section 114 of the Clean Air Act and Section 308 of the Water Pollution Control Act and all regulations and guidelines issued thereunder after the award of the contract. Such regulations and guidelines can be found in 40 CFR 15.4 and 40 FR 17126 dated April 16, 1975. In so doing the Contractor further agrees:

1. As a condition for the award of contract, to notify the Owner of the receipt of any communication from the Environmental Protection Agency (EPA) indicating that a facility to be utilized in the performance of the contract is under consideration to be listed on the EPA list of Violating Facilities. Prompt notification is required prior to contract award.

2. To certify that any facility to be utilized in the performance of any nonexempt contractor subcontract is not listed on the EPA list of Violating Facilities pursuant to 40 CFR 15.20 as of the date of contract award.

3. To include or cause to be included the above criteria and the requirements in every nonexempt subcontract and that the Contractor will take such action as the Government may direct as a means of enforcing such provisions.

As used in these paragraphs the term "facility" means any building, plan, installation, structure, mine, vessel or other floating craft, location, or site of operations, owned, leased, or supervised by a Grantee, cooperator, contractor, or subcontractor, to be utilized in the performance of a grant, agreement,contract, subgrant, or subcontract. Where a location or site of operation contains or includes more than one building, plant, installation, or structure, the entire location shall be deemed to be a facility except where the Director, Office of Federal Activities, Environmental Protection Agency, determines that independent facilities are co-located in one geographical area.

W. The following clause is applicable to nonprofit organizations:

As a condition of this Grant or Cooperative Agreement, the recipient assures and certifies that it is in compliance with and will comply in the course of the Agreement with all applicable laws, regulations, Executive Orders and other generally applicable requirements, including those set out in 7 CFR 3015.205(b), which hereby are incorporated in this Agreement by reference, and such statutory provisions as are specifically set forth herein.

GRANTOR AGREES THAT IT:

A. Will make available to Grantee for the purpose of this Agreement not to exceed $ 90,000

which it will advance to Grantee to meet not to exceed 75 percent of the development costs of the project in accordance with the actual needs of Grantee as determined by Grantor.

B. Will assist Grantee, within available appropriations, with such technical assistance as Grantor deems appropriate in planning the project and coordinating the plan with local official comprehensive plans for sewer and water and with any State or area plans for the area in which the project is located.

C. At its sole discretion and at any time may give any consent, deferment, subordination, release, satisfaction, or termination of any or all of Grantee's grant obligations, with or without valuable consideration, upon such terms and conditions as Grantor may determine to be (1) advisable to further the purpose of the grant or to protect Grantor's financial interest therein and (2) consistent with both the statutory purposes of the grant and the limitations of the statutory authority under which it is made.

TERMINATION OF THIS AGREEMENT

This Agreement may be terminated for cause in the event of default on the part of the Grantee as provided in Paragraph I above or for convenience of the Grantor and Grantee prior to the date of completion of the grant purpose. Termination for convenience will occur when both the Grantee and Grantor agree that the continuation of the project will not produce beneficial results commensurate with the further expenditure of funds.

IN WITNESS WHEREOF Grantee on the date first above written has caused these presence to be executed by its duly authorized Chairman

and attested and its corporated seal affixed by its duly authorized Secretary

ATTEST:

By B Edward Ray

Secretary
(Title)

By Telford G. Cruikshank, Jr.

Chairman
(Title)

UNITED STATES OF AMERICA
FARMERS HOME ADMINISTRATION

By Virginia M. McDonald

Rural Development Specialist
(Title)

November 12, 2004

*U.S. Government Printing Office: 1993 — 555-046/80015

COPY

Water and Waste System Grant Agreement

United States Department of Agriculture

Rural Utilities Service

THIS AGREEMENT dated October 14, 2004, between

Clay-Roane Public Service District
a public corporation organized and operating under

Chapter 16, Article 13A, West Virginia Code
(Authorizing Statute)

herein called ``Grantee," and the United States of America acting through the Rural Utilities Service, Department of Agriculture, herein called ``Grantor," WITNESSETH:

WHEREAS

Grantee has determined to undertake a project of acquisition, construction, enlargement, or capital improvement of a water system to serve the area under its jurisdiction at an estimated cost of $ 5,485,550 and has duly authorized the undertaking of such project.

Grantee is able to finance not more than $ 5,115,000 of the development costs through revenues, charges, taxes or assessments, or funds otherwise available to Grantee resulting in a reasonable user charge.

Said sum of $ 5,115,000 has been committed to and by Grantee for such project development costs.

Grantor has agreed to grant the Grantee a sum not to exceed $ 370,550 or 75 percent of said project development costs, whichever is the lesser, subject to the terms and conditions established by the Grantor. Provided, however, that the proportionate share of any grant funds actually advanced and not needed for grant purposes shall be returned immediately to the Grantor. The Grantor may terminate the grant in whole, or in part, at any time before the date of completion, whenever it is determined that the Grantee has failed to comply with the Conditions of the grant.

As a condition of this grant agreement, the Grantee assures and certifies that it is in compliance with and will comply in the course of the agreement with all applicable laws, regulations, Executive orders and other generally applicable requirements, including those set out in 7 CFR 3015.205(b), which hereby are incorporated into this agreement by reference, and such other statutory provisions as are specifically set forth herein.

NOW, THEREFORE, In consideration of said grant by Grantor to Grantee, to be made pursuant to Section 306(a) of The Consolidated Farm and Rural Development Act for the purpose only of defraying a part not to exceed 75 percent of the project development costs, as defined by applicable Rural Utilities Service instructions.

Grantee Agrees That Grantee Will:

A. Cause said project to be constructed within the total sums available to it, including said grant, in accordance with the project plans and specifications and any modifications thereof prepared by Grantee and approved by Grantor.

COPY

B. Permit periodic inspection of the construction by a representative of Grantor during construction.

C. Manage, operate and maintain the system, including this project if less than the whole of said system, continuously in an efficient and economical manner.

D. Make the services of said system available within its capacity to all persons in Grantee's service area without discrimination as to race, color, religion, sex, national origin, age, marital status, or physical or mental handicap (possess capacity to enter into legal contract for services) at reasonable charges, including assessments, taxes, or fees in accordance with a schedule of such charges, whether for one or more classes of service, as approved by the West Virginia Public Service Commission, as may be modified from time to time by Grantee. The initial rate schedule must be approved by Grantor. Thereafter, Grantee may make such modifications to the rate system as long as the rate schedule remains reasonable and nondiscriminatory.

E. Adjust its operating costs and service charges from time to time to provide for adequate operation and maintenance, emergency repair reserves, obsolescence reserves, debt service and debt service reserves.

F. Expand its system from time to time to meet reasonably anticipated growth or service requirements in the area within its jurisdiction.

G. Provide Grantor with such periodic reports as it may require and permit periodic inspection of its operations by a representative of the Grantor.

H. To execute any agreements required by Grantor which Grantee is legally authorized to execute. If any such agreement has been executed by Grantee as a result of a loan being made to Grantee by Grantor contemporaneously with the making of this grant, another agreement of the same type need not be executed in connection with this grant.

I. Upon any default under its representations or agreements set forth in this instrument, Grantee, at the option and demand of Grantor, will repay to Grantor forthwith the original principal amount of the grant stated herein above with the interest at the rate of 5 percentum per annum from the date of the default. Default by the Grantee will constitute termination of the grant thereby causing cancellation of Federal assistance under the grant. The provisions of this Grant Agreement may be enforced by Grantor, at its option and without regard to prior waivers by it previous defaults of Grantee, by judicial proceedings to require specific performance of the terms of this Grant Agreement or by such other proceedings in law or equity, in either Federal or State courts, as may be deemed necessary by Grantor to assure compliance with the provisions of this Grant Agreement and the laws and regulations under which this grant is made.

J. Return immediately to Grantor, as required by the regulations of Grantor, any grant funds actually advanced and not needed by Grantee for approved purposes.

K. Use the real property including land, land improvements, structures, and appurtenances thereto, for authorized purposes of the grant as long as needed.

1. Title to real property shall vest in the recipient subject to the condition that the Grantee shall use the real property for the authorized purpose of the original grant as long as needed.

2. The Grantee shall obtain approval by the Grantor agency for the use of the real property in other projects when the Grantee determines that the property is no longer needed for the original grant purposes. Use in other projects shall be limited to those under other Federal grant programs or programs that have purposes consistent with those authorized for support by the Grantor.

3. When the real property is no longer needed as provided in 1 and 2 above, the Grantee shall request disposition instructions from the Grantor agency or its successor Federal agency. The Grantor agency shall observe the following rules in the disposition instructions:

(a) The Grantee may be permitted to retain title after it compensates the Federal Government in an amount computed by applying the Federal percentage of participation in the cost of the original project to the fair market value of the property.

(b) The Grantee may be directed to sell the property under guidelines provided by the Grantor agency. When the Grantee is authorized or required to sell the property, proper sales procedures shall be established that provide for competition to the extent practicable and result in the highest possible return.
[Revision 1, 04/17/1998]

(c) The Grantee may be directed to transfer title to the property to the Federal Government provided that in such cases the Grantee shall be entitled to compensation computed by applying the Grantee's percentage of participation in the cost of the program or project to the current fair market value of the property.

This Grant Agreement covers the following described real property (use continuation sheets as necessary).

Approximately 87,500 LF of eight-inch waterline, 42,000 LF of six-inch waterline, 11,000 LF of two-inch waterline, 59 fire hydrants, two 100,000 gallon water storage tanks and other necessary appurtenances to provide potable water service to 240 families in the Left Hand/Amma areas of Clay and Roane Counties, West Virginia.

L. Abide by the following conditions pertaining to equipment which is furnished by the Grantor or acquired wholly or in part with grant funds. Equipment means tangible, non-expendable, personal property having a useful life of more than one year and an acquisition cost of $5,000 or more per unit. A grantee may use its own definition of equipment provided that such definition would at least include all equipment defined above.
[Revision 1, 04/17/1998]

1. Use of equipment.

(a) The Grantee shall use the equipment in the project for which it was acquired as long as needed. When no longer needed for the original project, the Grantee shall use the equipment in connection with its other Federally sponsored activities, if any, in the following order of priority:

(1) Activities sponsored by the Grantor.

(2) Activities sponsored by other Federal agencies.

(b) During the time that equipment is held for use on the property for which it was acquired, the Grantee shall make it available for use on other projects if such other use will not interfere with the work on the project for which the equipment was originally acquired. First preference for such other use shall be given to Grantor sponsored projects. Second preference will be given to other Federally sponsored projects.

2. Disposition of equipment. When the Grantee no longer needs the equipment as provided in paragraph (a) above, the equipment may be used for other activities in accordance with the following standards:

(a) Equipment with a current per unit fair market value of less than $5,000. The Grantee may use the equipment for other activities without reimbursement to the Federal Government or sell the equipment and retain the proceeds.

(b) Equipment with a current per unit fair market value of $5,000 or more. The Grantee may retain the equipment for other uses provided that compensation is made to the original Grantor agency or its successor. The amount of compensation shall be computed by applying the percentage of Federal participation in the cost of the original project or program to the current fair market value or proceeds from sale of the equipment. If the Grantee has no need for the equipment and the equipment has further use value, the Grantee shall request disposition instructions from the original Grantor agency.

The Grantor agency shall determine whether the equipment can be used to meet the agency's requirements. If no requirement exists within that agency, the availability of the equipment shall be reported, in accordance with the guidelines of the Federal Property Management Regulations (FPMR), to the General Services Administration by the Grantor agency to determine whether a requirement for the equipment exists in other Federal agencies. The Grantor agency shall issue instructions to the Grantee no later than 120 days after the Grantee requests and the following procedures shall govern:

(1) If so instructed or if disposition instructions are not issued within 120 calendar days after the Grantee's request, the Grantee shall sell the equipment and reimburse the Grantor agency an amount computed by applying to the sales proceeds the percentage of Federal participation in the cost of the original project or program. However, the Grantee shall be permitted to deduct and retain from the Federal share ten percent of the proceeds for Grantee's selling and handling expenses.

(2) If the Grantee is instructed to ship the equipment elsewhere the Grantee shall be reimbursed by the benefiting Federal agency with an amount which is computed by applying the percentage of the Grantee participation in the cost of the original grant project or program to the current fair market value of the equipment, plus any reasonable shipping or interim storage costs incurred.

(3) If the Grantee is instructed to otherwise dispose of the equipment, the Grantee shall be reimbursed by the Grantor agency for such costs incurred in its disposition.

3. The Grantee's property management standards for equipment shall also include:

(a) Records which accurately provide for: a description of the equipment; manufacturer's serial number or other identification number; acquisition date and cost; source of the equipment; percentage (at the end of budget year) of Federal participation in the cost of the project for which the equipment was acquired; location, use and condition of the equipment and the date the information was reported; and ultimate disposition data including sales price or the method used to determine current fair market value if the Grantee reimburses the Grantor for its share.

(b) A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years to verify the existence, current utilization, and continued need for the equipment.

(c) A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented.

(d) Adequate maintenance procedures shall be implemented to keep the equipment in good condition.

(e) Proper sales procedures shall be established for unneeded equipment which would provide for competition to the extent practicable and result in the highest possible return.

This Grant Agreement covers the following described equipment(use continuation sheets as necessary).

None

M. Provide Financial Management Systems which will include:

1. Accurate, current, and complete disclosure of the financial results of each grant. Financial reporting will be on an accrual basis.

2. Records which identify adequately the source and application of funds for grant-supported activities. Those records shall contain information pertaining to grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays, and income.

3. Effective control over and accountability for all funds, property and other assets. Grantees shall adequately safeguard all such assets and shall assure that they are used solely for authorized purposes.

4. Accounting records supported by source documentation.

N. Retain financial records, supporting documents, statistical records, and all other records pertinent to the grant for a period of at least three years after grant closing except that the records shall be retained beyond the three-year period if audit findings have not been resolved. Microfilm or photo copies or similar methods may be substituted in lieu of original records. The Grantor and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access to any books, documents, papers, and records of the Grantee's government which are pertinent to the specific grant program for the purpose of making audits, examinations, excerpts and transcripts.

O. Provide information as requested by the Grantor to determine the need for and complete any necessary Environmental Impact Statements.

P. Provide an audit report prepared in accordance with Grantor regulations to allow the Grantor to determine that funds have been used in compliance with the proposal, any applicable laws and regulations and this Agreement.

Q. Agree to account for and to return to Grantor interest earned on grant funds pending their disbursement for program purposes when the Grantee is a unit of local government. States and agencies or instrumentality's of states shall not be held accountable for interest earned on grant funds pending their disbursement.

R. Not encumber, transfer or dispose of the property or any part thereof, furnished by the Grantor or acquired wholly or in part with Grantor funds without the written consent of the Grantor except as provided in item K above.

S. To include in all contracts for construction or repair a provision for compliance with the Copeland ``Anti-Kick Back" Act (18 U.S.C. 874) as supplemented in Department of Labor regulations (29 CFR, Part 3). The Grantee shall report all suspected or reported violations to the Grantor.

T. To include in all contracts in excess of $100,000 a provision that the contractor agrees to comply with all the requirements of the Clean Air Act (42 U.S.C. §7414) and Section 308 of the Water Pollution Control Act (33 U.S.C. §1318) relating to inspection, monitoring, entry, reports, and information, as well as all other requirements specified in Section 114 of the Clean Air Act and Section 308 of the Water Pollution Control Act and all regulations and guidelines issued thereunder after the award of the contract. In so doing the Contractor further agrees:
[Revision 1, 11/20/1997]

1. As a condition for the award of contract, to notify the Owner of the receipt of any communication from the Environmental Protection Agency (EPA) indicating that a facility to be utilized in the performance of the contract is under consideration to be listed on the EPA list of Violating Facilities. Prompt notification is required prior to contract award.

2. To certify that any facility to be utilized in the performance of any nonexempt contractor subcontract is not listed on the EPA list of Violating Facilities pursuant to 40 CFR Part 32 as of the date of contract award.
[Revision 1, 11/20/1997]

3. To include or cause to be included the above criteria and the requirements in every nonexempt subcontract and that the Contractor will take such action as the Government may direct as a means of enforcing such provisions.

As used in these paragraphs the term ``facility" means any building, plan, installation, structure, mine, vessel or other floating craft, location, or site of operations, owned, leased, or supervised by a Grantee, cooperator, contractor, or subcontractor, to be utilized in the performance of a grant, agreement, contract, subgrant, or subcontract. Where a location or site of operation contains or includes more than one building, plant, installation, or structure, the entire location shall be deemed to be a facility except where the Director, Office of Federal Activities, Environmental Protection Agency, determines that independent facilities are co-located in one geographical area.

Grantor Agrees That It:

A. Will make available to Grantee for the purpose of this Agreement not to exceed $ 370,550 which it will advance to Grantee to meet not to exceed 75 percent of the project development costs of the project in accordance with the actual needs of Grantee as determined by Grantor.

B. Will assist Grantee, within available appropriations, with such technical assistance as Grantor deems appropriate in planning the project and coordinating the plan with local official comprehensive plans for sewer and water and with any State or area plans for the area in which the project is located.

C. At its sole discretion and at any time may give any consent, deferment, subordination, release, satisfaction, or termination of any or all of Grantee's grant obligations, with or without valuable consideration, upon such terms and conditions as Grantor may determine to be (1) advisable to further the purpose of the grant or to protect Grantor's financial interest therein and (2) consistent with both the statutory purposes of the grant and the limitations of the statutory authority under which it is made.

Termination of This Agreement

This Agreement may be terminated for cause in the event of default on the part of the Grantee as provided in paragraph I above or for convenience of the Grantor and Grantee prior to the date of completion of the grant purpose. Termination for convenience will occur when both the Grantee and Grantor agree that the continuation of the project will not produce beneficial results commensurate with the further expenditure of funds.

In witness whereof Grantee on the date first above written has caused these presence to be executed by its duly authorized

Chairman

attested and its corporate seal affixed by its duly authorized

Secretary

Attest:

By Melissa Postalwait
Melissa Postalwait
(Title) Chairman

By Crystal McKinney
Crystal McKinney
(Title) Secretary

UNITED STATES OF AMERICA

RURAL UTILITIES SERVICE

By Virginia M. McDonald Rural Development Specialist
Virginia M. McDonald (Title)

November 12, 2004

Form FmHA 1942-31
(Rev. 12-89)

"ARC Grant"

FORM APPROVED
OMB NO. 0575-0074

UNITED STATES DEPARTMENT OF AGRICULTURE
FARMERS HOME ADMINISTRATION

COPY MAR 10 1997

ASSOCIATION WATER OR SEWER SYSTEM GRANT AGREEMENT

THIS AGREEMENT dated March 6, 19 97, between

Clay Roane Public Service District

a public corporation organized and operating under

Chapter 16, Article 13A, West Virginia Code
(Authorizing Statute)

herein called "Grantee," and the United States of America acting through the Farmers Home Administration, Department of Agriculture, herein called "Grantor," WITNESSETH:

WHEREAS

Grantee has determined to undertake a project of acquisition, construction, enlargement, or capital improvement of a (water) (sewer) system to serve the area under its jurisdiction at an estimated cost of $ 3,400,000 and has duly authorized the undertaking of such project.

Grantee is able to finance not more than $ 2,900,000 of the development costs through revenues, charges, taxes or assessments, or funds otherwise available to Grantee resulting in a reasonable user charge.

Said sum of $ 2,900,000 has been comitted to and by Grantee for such project development costs.

Grantor has agreed to grant the Grantee a sum not to exceed $ 500,000 or 80 percent of said development costs, whichever is the lesser, subject to the terms and conditions established by the Grantor. Provided, however, that the proportionate share of any grant funds actually advanced and not needed for grant purposes shall be returned immediately to the Grantor. The Grantor may terminate the grant in whole, or in part, at any time before the date of completion, whenever it is determined that the Grantee has failed to comply with the conditions of the grant.

NOW, THEREFORE, In consideration of said grant by Grantor to Grantee, to be made pursuant to the Appalachian Regional Development Act of 1965, as amended, for the purpose only of defraying a part not to exceed 80 percent of the development costs, as defined by applicable Farmers Home Administration instructions.

GRANTEE AGREES THAT GRANTEE WILL:

A. Cause said project to be constructed within the total sums available to it, including said grant, in accordance with the project plans and specifications and any modifications thereof prepared by Grantee and approved by Grantor.

B. Permit periodic inspection of the construction by a representative of Grantor during construction.

C. Comply with any measures identified in the Government's environmental impact analysis for this facility for the purpose of avoiding or reducing the adverse environmental impacts of the facility's construction or operation.

D. Comply with all applicable state and federal laws and regulations and manage, operate and maintain the system, including this project if less than the whole of said system, continuously in an efficient and economical manner.

E. Make the services of said system available within its capacity to all persons in Grantee's service area without discrimination as to race, color, religion, sex, national origin, age, marital status, or physical or mental handicap (possess capacity to enter into legal contract for services) at reasonable charges, including assessments, taxes, or fees in accordance with a schedule of such charges, whether for one or more classes of service, as approved by the West Virginia Public Service Commission as may be modified from time to time by Grantee. The initial rate schedule must be approved by Grantor. Thereafter, Grantee may make such modifications to the rate system as long as the rate schedule remains reasonable and nondiscriminatory.

Public reporting burden for this collection of information is estimated to average 2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Department of Agriculture, Clearance Officer, OIRM, Room 404-W, Washington, D.C. 20250; and to the Office of Management and Budget, Paperwork Reduction Project (OMB No. 0575-0074), Washington, D.C.20503.

F. Adjust its operating costs and service charges from time to time to provide for adequate operation and maintenance, emergency repair reserves, obsolescence reserves, debt service and debt service reserves.

G. Expand its system from time to time to meet reasonably anticipated growth or service requirements in the area within its jurisdiction.

H. Provide Grantor with such periodic reports as it may require and permit periodic inspection of its operations by a representative of the Grantor.

I. To execute Forms FmHA 400-1, "Equal Opportunity Agreement," and FmHA 400-4, "Assurance Agreement," and any other agreements required by Grantor which Grantee is legally authorized to execute. If any such forms have been executed by Grantee as a result of a loan being made to Grantee by Grantor contemporaneously with the making of this Grant, another form of the same type need not be executed in connection with this Grant.

J. Upon any default under its representations or agreements set forth in this instrument, or in the instruments incident to the awarding of the grant, Grantee, at the option and demand of Grantor, to the extent legally permissible, will repay to grantor forthwith the original amount of the grant received with the interest accruing thereon from the date of default at the market rate for water and waste disposal loan assistance in effect on the date hereof or at the time the default occurred, whichever is greater. Default by the Grantee will constitute termination of the grant thereby causing cancellation of Federal assistance under the grant. The provisions of this Grant Agreement may be enforced by Grantor, at its option and without regard to prior waivers by it of previous defaults of Grantee, by judicial proceedings to require specific performance of the terms of this Grant Agreement or by such other proceedings in law or equity, in either Federal or State courts, as may be deemed necessary by Grantor to assure compliance with the provisions of this Grant Agreement and the laws and regulations under which this grant is made.

K. Return immediately to Grantor, as required by the regulations of Grantor, any grant funds actually advanced and not needed by Grantee for approved purposes.

L. Use the real property including land, land improvements, structures, and appurtenances thereto, for authorized purposes of the grant as long as needed.

1. Title to real property shall vest in the recipient subject to the condition that the Grantee shall use the real property for the authorized purpose of the original grant as long as needed.

2. The Grantee shall obtain approval by the Grantor agency for the use of the real property in other projects when the Grantee determines that the property is no longer needed for the original grant purposes. Use in other projects shall be limited to those under other Federal grant programs or programs that have purposes consistent with those authorized for support by the Grantor.

3. When the real property is no longer needed as provided in 1 and 2 above, the Grantee shall request disposition instructions from the Grantor agency or its successor Federal agency. The Grantor agency shall observe the following rules in the disposition instructions:

(a) The Grantor may be permitted to retain title after it compensates the Federal Government in an amount computed by applying the Federal percentage of participation in the cost of the original project to the fair market value of the property.

(b) The Grantee may be directed to sell the property under guidelines provided by the Grantor agency and pay the Federal Government an amount computed by applying the Federal percentage of participation in the cost of the original project to the proceeds from sale (after deducting actual and reasonable selling and fix-up expenses, if any, from the sale proceeds). When the Grantee is authorized or required to sell the property, proper sales procedures shall be established that provide for competition to the extent practicable and result in the highest possible return.

(c) The Grantee may be directed to transfer title to the property to the Federal Government provided that in such cases the Grantee shall be entitled to compensation computed by applying the Grantee's percentage of participation in the cost of the program or project to the current fair market value of the property.

The Grant Agreement covers the following described real property (use continuation sheets as necessary).
Approximately 87,500 LF of eight-inch waterline, 42,000 LF of six-inch waterline, 11,000 LF of two-inch waterline, 59 fire hydrants, two 100,000 gallon water storage tanks and other necessary appurtenances to provide potable water service for 240 families in the Left Hand/ Amma areas of Clay and Roane counties, West Virginia.

M. Abide by the following conditions pertaining to nonexpendable personal property which is furnished by the Grantor or acquired wholly or in part with grant funds. Nonexpendable personal property means tangible personal property having a useful life of more than one year and an acquisition cost of $300 or more per unit. A Grantee may use its own definition of nonexpendable personal property provided such definition would at least include all tangible personal personal property as defined above.

1. Use of nonexpendable property.

(a) The Grantee shall use the property in the project for which it was acquired as long as needed. When no longer needed for the original project, the Grantee shall use the property in connection with its other Federally sponsored activities, if any, in the following order of priority:

(1) Activities sponsored by FmHA.

(2) Activities sponsored by other Federal agencies.

(b) During the time that nonexpendable personal property is held for use on the project for which it was acquired, the Grantee shall make it available for use on other projects if such other use will not interfere with the work on the project for which the property was originally acquired. First preference for such other use shall be given to FmHA sponsored projects. Second preference will be given to other Federally sponsored projects.

2. Disposition of nonexpendable property. When the Grantee no longer needs the property as provided in paragraph (a) above, the property may be used for other activites in accordance with the following standards:

(a) Nonexpendable property with a unit acquisition cost of less than $1,000. The Grantee may use the property for other activities without reimbursement to the Federal Government or sell the property and retain the proceeds.

(b) Nonexpendable personal property with a unit acquisiton cost of $1,000 or more. The Grantee may retain the property for other uses provided that compensation is made to the original Grantor agency or its successor. The amount of compensation shall be computed by applying the percentage of Federal participation in the cost of the original project or program to the current fair market value of the property. If the Grantee has no need for the property and the property has further use value, the Grantee shall request disposition instructions from the original Grantor agency.

The Grantor agency shall determine whether the property can be used to meet the agency's requirements. If no requirement exists within that agency, the availability of the property shall be reported, in accordance with the guidelines of the Federal Property Management Regulations (FPMR), to the General Services Administration by the Grantor agency to determine whether a requirement for the property exists in other Federal agencies. The Grantor agency shall issue instructions to the Grantee no later than 120 days after the Grantee request and the following procedures shall govern:

(1) If so instructed or if disposition instructions are not issued within 120 calendar days after the Grantee's request, the Grantee shall sell the property and reimburse the Grantor agency an amount computed by applying to the sales proceeds the percentage of Federal participation in the cost of the original project or program. However, the Grantee shall be permitted to deduct and retain from the Federal share $100 or ten percent of the proceeds, whichever is greater, for the Grantee's selling and handling expenses.

(2) If the Grantee is instructed to ship the property elsewhere the Grantee shall be reimbursed by the benefitting Federal agency with an amount which is computed by applying the percentage of the Grantee participation in the cost of the original grant project or program to the current fair market value of the property, plus any reasonable shipping or interim storage costs incurred.

(3) If the Grantee is instructed to otherwise dispose of the property, the Grantee shall be reimbursed by the Grantor agency for such costs incurred in its disposition.

3. The Grantee's property management standards for nonexpendable personal property shall also include:

(a) Property records which accurately provide for: a description of the property; manufacturer's serial number or other identification number; acquisition date and cost; source of the property; percentage (at the end of budget year) of Federal participation in the cost of the project for which the property was acquired; location, use and condition of the property and the date the information was reported; and ultimate disposition data including sales price or the method used to determine current fair market value if the Grantee reimburses the Grantor for its share.

(b) A physical inventory of property shall be taken and the results reconciled with the property records at least once every two years to verify the existence, current utilization, and continued need for the property.

(c) A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft of nonexpendable property shall be investigated and fully documented.

(d) Adequate maintenance procedures shall be implemented to keep the property in good condition.

(e) Proper sales procedures shall be established for unneeded property which would provide for competition to the extent practicable and result in the highest possible return.

This Grant Agreement covers the following described nonexpendable property (use continuation sheets as necessary).

None

N. Provide Financial Management Systems which will include:

1. Accurate, current, and complete disclosure of the financial results of each grant. Financial reporting will be on an accrual basis.

2. Records which identify adequately the source and application of funds for grant-supported activities. Those records shall contain information pertaining to grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays, and income.

3. Effective control over and accountability for all funds, property and other assets. Grantees shall adequately safeguard all such assets and shall assure that they are used solely for authorized purposes.

4. Accounting records supported by source documentation.

O. Retain financial records, supporting documents, statistical records, and all other records pertinent to the grant for a period of at least three years after grant closing except that the records shall be retained beyond the three-year period if audit findings have not been resolved. Microfilm copies may be substituted in lieu of original records. The Grantor and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access to any books, documents, papers, and records of the Grantee's government which are pertinent to the specific grant program for the purpose of making audits, examinations, excerpts and transcripts.

P. Provide information as requested by the Grantor to determine the need for and complete any necessary Environmental Impact Statements.

Q. Provide an audit report prepared in sufficient detail to allow the Grantor to determine that funds have been used in compliance with the proposal, any applicable laws and regulations and this Agreement.

R. Agree to account for and to return to Grantor interest earned on grant funds pending this disbursement for program purposes when the Grantee is a unit of local government or a nonprofit organization. States and agencies or instrumentalities of states shall not be held accountable for interest earned on grant funds pending their disbursement.

S. Not encumber, transfer or dispose of the property or any part thereof, furnished by the Grantor or acquired wholly or in part with Grantor funds without the written consent of the Grantor except as provided in items K and L above.

T. Include in all contracts for construction or repair a provision for compliance with the Copeland "Anti-Kick Back" Act (18 U.S.C. 874) as supplemented in Department of Labor regulations (29 CFR, Part 3). The Grantee shall report all suspected or reported violations to the Grantor.

U. In construction contracts in excess of $2,000 and in other contracts in excess of $2,500 which involve the employment of mechanics or laborers, to include a provision for compliance with Sections 103 and 107 of the Contract Work Hours and Safety Standards Act (40 U.S.C. 327-330) as supplemented by Department of Labor regulations (29 CFR, Part 5).

V. To include in all contracts in excess of $100,000 a provision that the contractor agrees to comply with all the requirements of Section 114 of the Clean Air Act (42 U.S.C. §1875C-9) and Section 308 of the Water Pollution Control Act (33 U.S.C. §1318) relating to inspection, monitoring, entry, reports, and information, as well as all other requirements specified in Section 114 of the Clean Air Act and Section 308 of the Water Pollution Control Act and all regulations and guidelines issued thereunder after the award of the contract. Such regulations and guidelines can be found in 40 CFR 15.4 and 40 FR 17126 dated April 16, 1975. In so doing the Contractor further agrees:

1. As a condition for the award of contract, to notify the Owner of the receipt of any communication from the Environmental Protection Agency (EPA) indicating that a facility to be utilized in the performance of the contract is under consideration to be listed on the EPA list of Violating Facilities. Prompt notification is required prior to contract award.

2. To certify that any facility to be utilized in the performance of any nonexempt contractor subcontract is not listed on the EPA list of Violating Facilities pursuant to 40 CFR 15.20 as of the date of contract award.

3. To include or cause to be included the above criteria and the requirements in every nonexempt subcontract and that the Contractor will take such action as the Government may direct as a means of enforcing such provisions.

As used in these paragraphs the term "facility" means any building, plan, installation, structure, mine, vessel or other floating craft. location, or site of operations, owned, leased, or supervised by a Grantee, cooperator, contractor, or subcontractor, to be utilized in the performance of a grant, agreement,contract, subgrant, or subcontract. Where a location or site of operation contains or includes more than one building, plant, installation, or structure, the entire location shall be deemed to be a facility except where the Director, Office of Federal Activities, Environmental Protection Agency, determines that independent facilities are co-located in one geographical area.

W. The following clause is applicable to nonprofit organizations:

As a condition of this Grant or Cooperative Agreement, the recipient assures and certifies that it is in compliance with and will comply in the course of the Agreement with all applicable laws, regulations, Executive Orders and other generally applicable requirements, including those set out in 7 CFR 3015.205(b), which hereby are incorporated in this Agreement by reference, and such statutory provisions as are specifically set forth herein.

GRANTOR AGREES THAT IT:

A. Will make available to Grantee for the purpose of this Agreement not to exceed $ 500,000

which it will advance to Grantee to meet not to exceed 80 percent of the development costs of the project in accordance with the actual needs of Grantee as determined by Grantor.

B. Will assist Grantee, within available appropriations, with such technical assistance as Grantor deems appropriate in planning the project and coordinating the plan with local official comprehensive plans for sewer and water and with any State or area plans for the area in which the project is located.

C. At its sole discretion and at any time may give any consent, deferment, subordination, release, satisfaction, or termination of any or all of Grantee's grant obligations, with or without valuable consideration, upon such terms and conditions as Grantor may determine to be (1) advisable to further the purpose of the grant or to protect Grantor's financial interest therein and (2) consistent with both the statutory purposes of the grant and the limitations of the statutory authority under which it is made.

TERMINATION OF THIS AGREEMENT

This Agreement may be terminated for cause in the event of default on the part of the Grantee as provided in Paragraph I above or for convenience of the Grantor and Grantee prior to the date of completion of the grant purpose. Termination for convenience will occur when both the Grantee and Grantor agree that the continuation of the project will not produce beneficial results commensurate with the further expenditure of funds.

IN WITNESS WHEREOF Grantee on the date first above written has caused these presents to be executed by its duly authorized Chairman

and attested and its corporated seal affixed by its duly authorized Secretary

ATTEST:

By _____

Secretary
(Title)

By _____
Telford G. Cruikshank, Jr.

Chairman
(Title)

UNITED STATES OF AMERICA
FARMERS HOME ADMINISTRATION

By _____
Virginia M. McDonald

Rural Development Specialist
(Title)

November 12, 2004

☆ U.S. Government Printing Office: 1995–655-046/60179

JW

01-1601-PWD-W-PC

WATER PURCHASE CONTRACT

RECEIVED
30 AM 8:44
SERVICE
SEC OFFICE

This contract, for the sale and purchase of water, is entered into as of the 28d day of [illegible], 2002, between the Clay-Roane Public Service District, P. O. Box 40, Valley Fork, West Virginia 25283, hereinafter referred to as the "Purchaser" and the Town of Clay Water Works, Clay, West Virginia 25043, hereinafter referred to as the "Seller."

WITNESSETH:

WHEREAS, the Purchaser is organized and established under the provisions of the Code of West Virginia, for the purpose of operating a water distribution system serving water users within its District as described on the maps and plats of record in the office of the Clerk of the County Commission of Clay County, West Virginia, in the office of the Clerk of the County Commission of Roane County, West Virginia and in the records of the Public Service Commission of West Virginia.

WHEREAS, the Purchaser desires to purchase water from the Seller for all its water users.

Now, therefore, in consideration of the foregoing and the mutual agreements hereinafter set forth,

A. <u>The Seller Agrees:</u>

1.0 <u>Quality and Quantity</u>: To furnish the Purchaser at the point of delivery, during the term of this contract or any renewal or extension thereof, potable treated water meeting applicable purity standards of the Bureau for Public Health and all federal standards in such quantity as may be required by the Purchaser, but not to exceed five million (5,000,000) gallons per month.

2.0 <u>Pressure</u>: That water will be furnished at a reasonably constant pressure calculated at Clay. If a greater pressure is required by the Purchaser, the cost of providing such greater pressure shall be borne by the Purchaser. Emergency failures of pressure or supply due to main supply line breaks, power failure, flood, fire, use of water to fight fires and earthquakes or other catastrophe shall excuse the Seller from this provision for such reasonable period time as may be necessary to restore service.

3.0 <u>Metering</u>: To furnish, install, operate and maintain at its own expense at the point of delivery, the necessary metering equipment, including a meter house or pit and required devices of standard type for properly measuring the quantity of water delivered to the Purchaser.

B. The Purchaser Agrees:

1. Rates and Payment Date: To pay the Seller, within twenty (20) days after the billing date for the charges for water delivered, the sum of two dollars and sixty one cents ($2.61) for each thousand gallons of water delivered. If payment is not made in full by the Purchaser within twenty (20) of the billing date, the Seller may add ten percent (10%) to the current amount due. This delayed payment penalty is not interest and may be collected only once for each bill where it is appropriate.

C. It is Further Mutually Agreed Between the Seller and the Purchaser as follows:

1. Term of Contract: That is contract shall extend for a period of not less than five (5) years from the date the contract is approved by Final Order of the West Virginia Public Service Commission in Case No. 01-1601-PWD-W-PC OR until the planned Clay regional water treatment plant is completed and providing service to Clay County.

2. Modification of Contract: That the provisions of the contract pertaining to the schedule of rates to be paid by the Purchaser for water delivered are subject to modification by mutual agreement on the anniversary of the date of the order approving the contract. Any modification of the purchase rate shall be based on a demonstrable increase or decrease in the costs of performance hereunder, but such costs shall not include increased capitalization of the Seller's system. Other provisions of the contract may be modified or altered by mutual agreement. The party desiring to modify the contract must give thirty days advance notice in writing.

3. Regulatory Agencies: That this contract is subject to such rules, regulations or laws as may be applicable to similar agreements in this State and the Seller and Purchaser will collaborate in obtaining such permits, certificates, or the like as may be required to comply herewith.

4. Successor to the Purchaser: That in any event of any occurrence rendering the Purchaser incapable of performing under this contract, any successor of the Purchaser, whether the result of legal process, assignment, or otherwise shall succeed to the rights of the Purchaser hereunder.

4.1. Inspection and Tests: The Seller shall provide or have access to such laboratory meter testing equipment and other equipment and facilities as may be necessary to make tests as required by the Public Service Commission's Rules and Regulations for the Government of Water Utilities. The Seller shall, at its own expense, make such tests periodically as prescribed by and in the same manner as prescribed by the Public Service Commission's Rules and Regulations for the Government of Water Utilities. Tests shall be conducted by the Seller by a competent qualified meter man who has complied with the rules and regulations of the Public Service Commission governing the appointment of meter men.

4.2. Complaint tests and request tests will be performed pursuant to the Public Service Commission's Rules and Regulations for the Government of Water Utilities.

5.0. Adjustments of Bills: Adjustments of bills shall be made in accordance with the Public Service Commission's Rules and Regulations for the Government of Water Utilities. 4.4.1.. Faster meters – If upon test of any meter, the meter is found to have an average error or more than two percent (2%) fast, the utility shall refund to the customer the over-charge, based upon the correct meter reading for a period equal to one-half (½) the time elapsed since the last previous test, but not to exceed six (6) months. If it can be shown that the error was due to some cause, the date of which can be fixed, the overcharge shall be computed back to but not beyond that date. If the meter has not been tested in accordance with Rule 6.5., the period for which it has been in service beyond the regular test period shall be added to the six (6) months in computing the refund, AND Rule 4.4.2. Dead Meters – If a meter is found not to register for any period, the utility shall compute the water used by taking the average of the water used for the meter reading period preceding and the meter reading period following the date when the meter was found to be dead, which amount shall be assumed to be the amount of water used by the customer during the billing period in which the meter was found dead. Exceptions will be made to this rule in case the facts clearly show that the above method does not give the correct consumption for the period. Dead or malfunctioning meters should be fixed or replaced with thirty days of the discovery of the condition by the utility.

6.0 Meter Reading Date: The meter reading equipment shall be read by the Seller on the _____(20th) day of every month. At the Purchaser's discretion, the Purchaser may have an appropriate official or employee present when the master meter is read for the purpose of verifying the reading. The Purchaser shall be billed without delay. The Seller will make no charge for reading the meter and for providing the reading to the Purchaser.

In witness whereof, the parties hereto, acting under authority of their respective governing bodies, have caused this contract to be duly executed in triplicate counterparts, each of which shall constitute an original.

SELLER:

TOWN OF CLAY WATER WORKS

By: _____

Mayor

_____ Council

ATTEST:

_____ Council

_____ Council

_____ Council

_____ Council

PURCHASER:

CLAY-ROANE PUBLIC SERVICE DISTRICT

By: _____
Chairman of Board of Directors

ATTEST:

_____
Board Member

_____
Board Member

CLOSING MEMORANDUM

To: **Crystal McKinney**
Virginia McDonald
Katy Mallory
Barbara Meadows
Sara Boardman
Samme Gee

From: **Bill Bragg**

Date: **November 9, 2004**

Re: **Clay-Roane Public Service District Water Revenue Bonds, Series 2004 A (West Virginia Infrastructure Fund) and Series 2004 B (United States Department of Agriculture)**

1. DISBURSEMENTS TO DISTRICT

A.

Payor:	West Virginia Infrastructure and Jobs Development Council
Source:	Series 2004 A Bonds Proceeds
Amount:	$36,602
Date:	November 12, 2004
Form:	Wire Transfer
Payee:	Clay-Roane Public Service District
Bank:	Clay County Bank, Inc.
Routing No.:	051502641
Account No.:	159123
Account:	Construction Trust Fund

B.

Payor:	United States Department of Agriculture
Source:	Series 2004 B Bonds Proceeds
Amount:	$274,123
Date:	November 12, 2004
Form:	Electronic Funds Transfer
Payee:	Clay-Roane Public Service District
Bank:	Clay County Bank, Inc.
Routing No.:	051502641
Account No.:	159123
Account:	Construction Trust Fund

2. DISBURSEMENTS TO MUNICIPAL BOND COMMISSION

A.

Payor:	Infrastructure Council on behalf of District
Source:	Series 2004 A Bonds Proceeds
Amount:	$295,000
Date:	November 12, 2004
Form:	Wire Transfer
Payee:	West Virginia Municipal Bond Commission
Bank:	Branch Banking & Trust Company, Charleston, West Virginia
Routing No.:	051503394
Account No.:	5270517317
Contact:	West Virginia State Treasurer for West Virginia Municipal Bond Commission
Account:	Series 2001A Bond Sinking Fund to pay in full the District's Water Revenue Bond, Series 2001 A (West Virginia Infrastructure Fund)

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PARKERSBURG, WEST VIRGINIA 26101
(304) 485-2345

PO. BOX 349
500 CHURCH STREET
RIPLEY, WEST VIRGINIA 25271
(304) 372-2651

Reply To: Charleston

November 12, 2004

Clay-Roane Public Service District
Procious, West Virginia

West Virginia Infrastructure and Jobs Development Council
Charleston, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

Re: Clay-Roane Public Service District Water Revenue Bonds,
Series 2004 A (West Virginia Infrastructure Fund)

Ladies and Gentlemen:

We have served as bond counsel to Clay-Roane Public Service District (the "Issuer") in connection with the issuance of its Water Revenue Bonds, Series 2004 A (West Virginia Infrastructure Fund), dated the date hereof (the "Bonds").

We have examined certified copies of proceedings and other papers relating to the authorization of (i) a loan agreement for the Bonds, dated November 12, 2004, including all schedules and exhibits attached thereto (the "Loan Agreement"), by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), and (ii) the Bonds to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Bonds are issued in the principal amount of $1,000,000, in the form of one bond, registered as to principal only to the Authority, bearing no interest, with principal payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing December 1, 2006, all as set forth in the Schedule Y attached to the Loan Agreement and incorporated in and made a part of the Bonds.

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 16, Article 13A and Chapter 31, Article 15A of the Code of West Virginia, 1931, as amended (collectively, the "Act"), for the purposes of (i) paying in full the entire outstanding principal of and any interest and administrative fees on the Issuer's Water Revenue Bond, Series 2001 A (West Virginia Infrastructure Fund) (the "Series 2001 A Bond"); (ii) paying a portion of the costs of acquisition, construction and equipping the Project; and (iii) paying certain costs of issuance of the Bond and related costs.

We have also examined the applicable provisions of the Act and a Bond Resolution duly adopted by the Issuer on October 14, 2004, as supplemented by a Supplemental Resolution duly adopted by the Issuer on October 14, 2004 (collectively, the "Resolution"), pursuant to and under which Act and Resolution the Bonds are authorized and issued, and the Loan Agreement is entered into. The Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Resolution and the Loan Agreement. All capitalized terms used herein and not otherwise defined herein shall have the same meaning set forth in the Resolution and the Loan Agreement when used herein.

Based upon the foregoing and upon our examination of such other documents as we have deemed necessary, we are of the opinion, under existing law, as follows:

1. The Issuer is a duly created and validly existing public service district and is a public corporation and political subdivision of the State of West Virginia, with full power and authority to acquire and construct the Project, to operate and maintain the System, to adopt the Resolution and to issue and sell the Bonds, all under the Act and other applicable provisions of law.

2. The Loan Agreement has been duly authorized by and executed on behalf of the Issuer and is a valid and binding special obligation of the Issuer, enforceable in accordance with the terms thereof.

3. The Loan Agreement inures to the benefit of the Authority and the Council and cannot be amended so as to affect adversely the rights of the Authority and the Council or diminish the obligations of the Issuer without the written consent of the Authority and the Council.

4. The Issuer has legally and effectively adopted the Resolution and all other necessary resolutions in connection with the issuance and sale of the Bonds. The Resolution constitutes a valid and binding obligation of the Issuer, enforceable

against the Issuer in accordance with its terms thereof and contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreement.

5. The Bonds have been duly authorized, issued, executed and delivered by the Issuer to the Authority and are valid, legally enforceable and binding special obligations of the Issuer, payable from the Net Revenues of the System and secured by a first lien on and a pledge of the Net Revenues of the System, on a parity with respect to liens, pledge and source of and security for payment with the Issuer's Water Revenue Bond, Series 1990, Water Revenue Bond (Varneytown Project), Series 1997, Water Revenue Bond, Series 1982 (heretofore assumed by the Issuer from Procious Public Service District), and Water Revenue Bonds, Series 2004 B (United States Department of Agriculture), all in accordance with the terms of the Bonds and the Resolution.

6. Under the Act, the Bonds and the interest thereon are exempt from taxation by the State of West Virginia and the other taxing bodies of the State.

7. The Bonds have not been issued on the basis that the interest, if any, thereon is or will be excluded from the gross income of the owners thereof for federal income tax purposes. We express no opinion regarding the excludability of such interest, if any, from the gross income of the owners thereof for federal income tax purposes or other federal tax consequences arising with respect to the Bonds.

No opinion is given herein as to the effect upon the enforceability of the Bonds under any applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights or the exercise of judicial discretion or principles of equity in appropriate cases.

We have examined the executed and authenticated Bond numbered AR-1 and in our opinion, the form of said Bond and its execution and authentication are regular and proper.

Respectfully submitted,

Goodwin & Goodwin, LLP
GOODWIN & GOODWIN, LLP

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Reply To: Charleston

November 12, 2004

Clay-Roane Public Service District
Procious, West Virginia

United States Department of Agriculture, Rural Utilities Service
Parkersburg, West Virginia

Re: Clay-Roane Public Service District Water Revenue Bonds,
Series 2004 B (United States Department of Agriculture)

Ladies and Gentlemen:

We have served as bond counsel to Clay-Roane Public Service District (the "Issuer") in connection with the issuance of its Water Revenue Bonds, Series 2004 B (United States Department of Agriculture), dated the date hereof (the "Bonds").

We have examined certified copies of proceedings and other papers relating to the issuance of the Bonds. The Bonds are issued in the principal amount of $360,000, in the form of one bond and bear interest from the date hereof, on the amount advanced thereunder, at the rate of 4.5% per annum.

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Act"), and have been authorized by a Bond Resolution duly adopted by the Issuer on October 14, 2004, as supplemented by a Supplemental Resolution duly adopted by the Issuer on October 14, 2004 (collectively, the "Resolution"). The Bonds are issued for the purposes of (i) paying a portion of the costs of acquisition and construction of certain improvements and extensions to the existing public water facilities of the Issuer (the "Project"); and (ii) paying certain costs of issuance and related costs. All capitalized terms used herein and

not otherwise defined herein shall have the same meaning set forth in the Resolution when used herein.

Based upon the foregoing and upon our examination of such other documents as we have deemed necessary, we are of the opinion, under existing law, as follows:

1. The Issuer is a duly created and validly existing public service district and is a public corporation and political subdivision of the State of West Virginia, with full power and authority to acquire and construct the Project, to operate and maintain the System, to adopt the Resolution and to issue and sell the Bonds, all under the Act and other applicable provisions of law.

2. The Issuer has legally and effectively adopted the Resolution and all other necessary resolutions in connection with the issuance and sale of the Bonds. The Resolution constitutes a valid and binding obligation of the Issuer, enforceable against the Issuer in accordance with its terms thereof.

3. The Bonds have been duly authorized, issued, executed and delivered by the Issuer and are valid, legally enforceable and binding special obligations of the Issuer, payable from the Net Revenues of the System and secured by a first lien on and a pledge of the Net Revenues of the System, on a parity with respect to liens, pledge and source of and security for payment with the Issuer's Water Revenue Bond, Series 1990, Water Revenue Bond (Varneytown Project), Series 1997, Water Revenue Bond, Series 1982 (heretofore assumed by the Issuer from Procious Public Service District), and Water Revenue Bonds, Series 2004 A (West Virginia Infrastructure Fund), all in accordance with the terms of the Bonds and the Resolution.

4. Under the Act, the Bonds and the interest thereon are exempt from taxation by the State of West Virginia and the other taxing bodies of the State.

5. The Bonds have not been issued on the basis that the interest thereon is or will be excluded from the gross income of the owners thereof for federal income tax purposes. We express no opinion regarding the excludability of such interest from the gross income of the owners thereof for federal income tax purposes or other federal tax consequences arising with respect to the Bonds.

No opinion is given herein as to the effect upon the enforceability of the Bonds under any applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights or the exercise of judicial discretion or principles of equity in appropriate cases.

We have examined the executed Bond numbered BR-1 and in our opinion, the form of said Bond and its execution are regular and proper.

Respectfully submitted,

Goodwin + Goodwin, LLP
GOODWIN & GOODWIN, LLP

HEDGES, JONES, WHITTIER AND HEDGES
ATTORNEYS AT LAW
POST OFFICE BOX 7
SPENCER, WEST VIRGINIA 25276

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November 12, 2004

Clay-Roane Public Service District
Procious, West Virginia

West Virginia Infrastructure and Jobs Development Council
Charleston, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

United States Department of Agriculture, Rural Utilities Service
Parkersburg, West Virginia

Goodwin & Goodwin, LLP
Charleston, West Virginia

Re: Clay-Roane Public Service District Water Revenue Bonds,
Series 2004 A (West Virginia Infrastructure Fund) and
Series 2004 B (United States Department of Agriculture)

Ladies and Gentlemen:

We are counsel to Clay-Roane Public Service District (the "Issuer"). As such counsel, we have examined copies of the approving opinion of Goodwin & Goodwin, LLP, as bond counsel, relating to the above-captioned bonds of the Issuer (collectively, the "Bonds"), a loan agreement for the Series 2004 A Bonds, dated November 12, 2004, including all schedules and exhibits attached thereto (the "Loan Agreement"), by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), the letter of conditions for the Series 2004 B Bonds, dated February 7, 1997, as amended by Amendment No. 1 to Letter of Conditions dated August 18, 1997, and as amended by Amendment No. 2 to Letter of Conditions dated August 5, 2004 (collectively, the "Letter of Conditions"), from the United States of America, United States Department of Agriculture, Rural Utilities Service (the "Government"), a Bond Resolution duly adopted by the Public Service Board of the Issuer (the "Board") on October 14, 2004, as supplemented by a Supplemental Resolution duly adopted on October

14, 2004 (collectively, the "Resolution"), orders of The County Commission of Clay and Roane Counties relating to the Issuer and the appointment of members of the Board, and other documents relating to the Bonds and the Issuer. All capitalized terms used herein and not otherwise defined herein shall have the same meaning set forth in the Loan Agreement and the Resolution when used herein.

We are of the opinion that:

1. The Issuer is a duly created and validly existing public service district and is a public corporation and political subdivision of the State of West Virginia, with full power and authority to acquire and construct the Project, to operate and maintain the System and to adopt the Resolution, all under the Act and other applicable provisions of law.

2. The members and officers of the Board have been duly and properly appointed and elected, have taken the requisite oaths and are thereby authorized to act on behalf of the Issuer in their respective capacities.

3. The Loan Agreement has been duly authorized, executed and delivered by the Issuer and, assuming due authorization, execution and delivery by the other parties thereto, constitutes a valid and binding agreement of the Issuer, enforceable in accordance with its terms.

4. The Resolution has been duly adopted by the Board and is in full force and effect.

5. The execution and delivery of the Bonds and the Loan Agreement and the consummation of the transactions contemplated by the Bonds, the Loan Agreement and the Resolution, and the carrying out of the terms thereof, do not and will not, in any material respect, conflict with or constitute, on the part of the Issuer, a breach of or default under any resolution, agreement or other instrument to which the Issuer is a party or any existing law, regulation, court order or consent decree to which the Issuer is subject.

6. The Issuer has received all permits, licenses, approvals, consents, exemptions, orders, certificates, registrations and authorizations necessary for the creation and existence of the Issuer, the issuance of the Bonds, the acquisition and construction of the Project,

the operation of the System and the imposition of rates and charges for the use of the System, including, without limitation, all requisite permits, approvals, orders and certificates from the West Virginia Bureau for Public Health, the Council and the Public Service Commission of West Virginia (the "PSC"). The Issuer has taken all actions required for the imposition of such rates and charges, including, without limitation, the adoption of a resolution prescribing such rates and charges. The Issuer has received the order of the PSC entered on September 26, 2002, in Case No. 02-0038-PWD-19A, approving the rates for the System and the orders of the PSC entered on March 13, 2002, and October 13, 2004, in Case No. 00-1303-PWD-CN, granting to the Issuer a certificate of public convenience and necessity for the Project and approving the financing for the Project. The time for appeal of the PSC orders entered March 13, 2002, and September 26, 2002, has expired prior to the date hereof without any appeal having been filed. The time for appeal of the PSC order entered October 13, 2004, has not expired on the date hereof. However, the parties to such order have stated that they do not intend to appeal such order. All such orders remain in full force and effect.

7. The Issuer has duly published the required notice with respect to, among other things, the amount of the Bonds to be issued, the interest rate and terms of the Bonds, the Project to be constructed, the cost of the Project, the anticipated user rates and charges and the date that a formal application for a certificate of public convenience and necessity is to be filed with the PSC in accordance with Chapter 16, Article 13A, Section 25 of the Code of West Virginia, 1931, as amended, and has duly complied with the provisions thereof.

8. To the best of our knowledge, there is no litigation, action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Loan Agreement, the Bonds and the Resolution, the acquisition and construction of the Project, the operation of the System, the validity of the Bonds, the collection of the Gross Revenues or the pledge of the Net Revenues for the payment of the Bonds.

9. All successful bidders have made the required provisions for all insurance and payment and performance bonds and such insurance policies or binders and such bonds have been verified for accuracy. Based upon our review of the contracts, the surety bonds and the policies or other evidence of insurance coverage in connection with the Project, we are of the opinion that such surety bonds and policies (1) are in compliance with the contracts; (2) are adequate in form, substance and amount to protect the various interest of the Issuer; (3) have been executed by duly authorized representatives of the proper parties; (4) meet the requirements of the Act, the Resolution and the Loan Agreement; and (5) all such documents constitute valid and legally binding obligations of the parties thereto in accordance with the terms, conditions and provisions thereof.

All counsel to this transaction may rely upon this opinion as if specifically addressed to them.

Very truly yours,

Thomas N. Whittier

TNW/lw

HEDGES, JONES, WHITTIER AND HEDGES
ATTORNEYS AT LAW
POST OFFICE BOX 7
SPENCER, WEST VIRGINIA 25276

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November 12, 2004

Clay-Roane Public Service District
Procious, West Virginia

West Virginia Water Development Authority
180 Association Drive
Charleston, West Virginia 25311

West Virginia Infrastructure and Jobs Development Council
300 Summers Street, Suite 980
Charleston, WV 25301

Re: Clay Roane PSD
Amma Lefthand project

Ladies and Gentlemen:

This firm represents the Clay Roane Public Service District (the "District") with regard to a proposed project to construct potable distribution water line extensions to serve customers in various unserved portions of Clay and Roane Counties of West Virginia generally known as the Amma Lefthand Project (the "Project") and provides this final title opinion on behalf of the District to satisfy the requirements of the West Virginia Infrastructure and Jobs Development Council (the "Council") with regard to the Infrastructure Fund financing proposed for the Project. Please be advised of the following:

1. The District is a duly created and validly existing public service district possessed with all the powers and authority granted to public service districts under the laws of the State of West Virginia and has the full power and authority to construct, operate and maintain the Project as approved by the West Virginia Public Service Commission and the West Virginia Bureau of Public Health.

2. The District has obtained all necessary permits and approvals for the construction of the Project.

3. I have investigated and ascertained the location of and I am familiar with the legal description of the necessary sites, including easements and/or rights of way, required for the Project as set forth in the plans for the Project prepared by James B. Hildreth, P. E. of Boyles & Hildreth, the consulting engineers for the project.

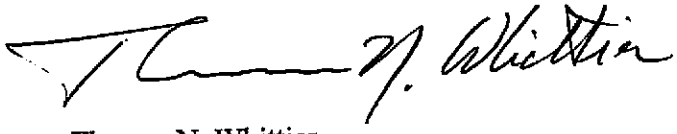
4. I have examined the records on file in the Offices of the Clerk of the County Commission of Clay and Roane Counties, West Virginia, the counties in which the Project is to be located, and, in my opinion, the District has acquired legal title or such other estate or interest in the necessary site components for the Project, including all easements and rights of way, with the exception of those listed below, sufficient to assure undisturbed use and possession for the purpose of construction, operation and maintenance for the estimated life of the facilities to be constructed.

The following listed properties are being acquired by eminent domain and the necessary filings have been made in the Offices of the Clerk of the Circuit Court of Clay and Roane Counties, West Virginia, to permit the District a right of entry for the purpose of construction, operation and maintenance of the Project on the subject properties. The District's title thereto is defeasible in the event the District does not satisfy any resulting judgment and/or award in proceedings for acquisition of said properties, and our certification is subject to the following pending litigation:

A. *The Clay-Roane Public Service District, a public corporation created by act of the Roane and Clay County Commissioners, Petitioner, vs. Ricky F. Taylor and Caroline Taylor, his wife, and all of the known and unknown heirs, devisees, assigns and creditors of the above named,* Clay County Civil Action No. 04-C-93.

5. All deeds or other documents which have been acquired to date by the District have been duly recorded in the aforesaid Clerk's Offices in order to protect the legal title to and interest of the District.

Sincerely,



Thomas N. Whittier

cc: Samme L. Gee, Esquire